



FERGUS FALLS
MINNESOTA

ANNUAL COMPREHENSIVE

FINANCIAL REPORT

FOR FISCAL YEAR ENDED
DECEMBER 31, 2023





CITY OF FERGUS FALLS, MINNESOTA

Annual Comprehensive Financial Report For the Fiscal Year Ended December 31, 2023

Prepared by:

Department of Finance

Finance Director:

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Sandy Cunningham

CITY OF FERGUS FALLS
Annual Comprehensive Financial Report
For the Fiscal Year Ended December 31, 2023
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Introductory Section



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May 23, 2024

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, 2023, 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, 2023, 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, 2023, 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 28 parks within its boundaries. The City is approximately 15.74 square miles and has a population of 14,085.

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 June 15 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, G.O. Port Authority 2021A, G.O. Tax Increment 2022A 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 40 - 41 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 140.

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 2024 Minnesota Budget and Economic Forecast, Minnesota's budget and economic outlook is stable with a general fund balance of \$3.715 billion now projected for the next biennium. Higher collections this fiscal year raise the current forecast for all major tax types. Corporate tax revenue shows the largest change, driven by higher expected corporate profits. This results in improvement to the structural budgetary balance; however, spending is still expected to exceed revenue through the forecast horizon.

Local economy. The City of Fergus Falls continues to experience economic growth during 2023 and into 2024. 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 9,536 jobs and an annual average 2023

unemployment rate of 2.50 percent as compared to 2.6 percent for the State of Minnesota and 3.50 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 \$6,580,769 as of December 31, 2023. This amount represents 44.41 percent of the 2024 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. Phase 1 of this project was completed in 2022 and construction began on Phase 2 in 2023. Phase 2 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 Phase 1 and various donors have also given and pledged significant funds to the project.
- The City was awarded \$4.00 million by the State of Minnesota during the 2023 Legislative Session for land acquisition and the construction of a trail system, rail crossings and related amenities along the riverfront corridor.
- In addition, the City has been working with a developer on the acquisition and subsequent redevelopment of property located along the river which would include demolition of the existing substandard buildings in 2024 and construction of a new three story, 60-unit residential rental market rate apartment complex in 2025 and 2026 utilizing tax increment financing.
- At the 2022 general election, the City voters approved a .50 percent local option sales tax. The sales tax was implemented on October 1, 2023 and will provide funding for the construction of an aquatic center and improvements to DeLagoon Park, which will begin in 2024.
- The City Council continues to prioritize infrastructure and implemented a 10.00 percent increase to the street overlay and seal coat budgets for 2024.
- Various reconstruction projects to streets and infrastructure were completed or in progress during 2023. Scheduled equipment within the City's fleet is replaced on an annual basis. During 2024, the City will also be constructing street improvements to Stanton Avenue and Summit Avenue, Linden Street and Laurel Street 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 was completed in 2023. The City is open to potential developers for reuse of the remaining campus.

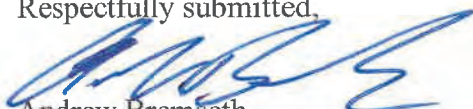
Awards and Acknowledgements


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, 2022. This was the 32nd 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**

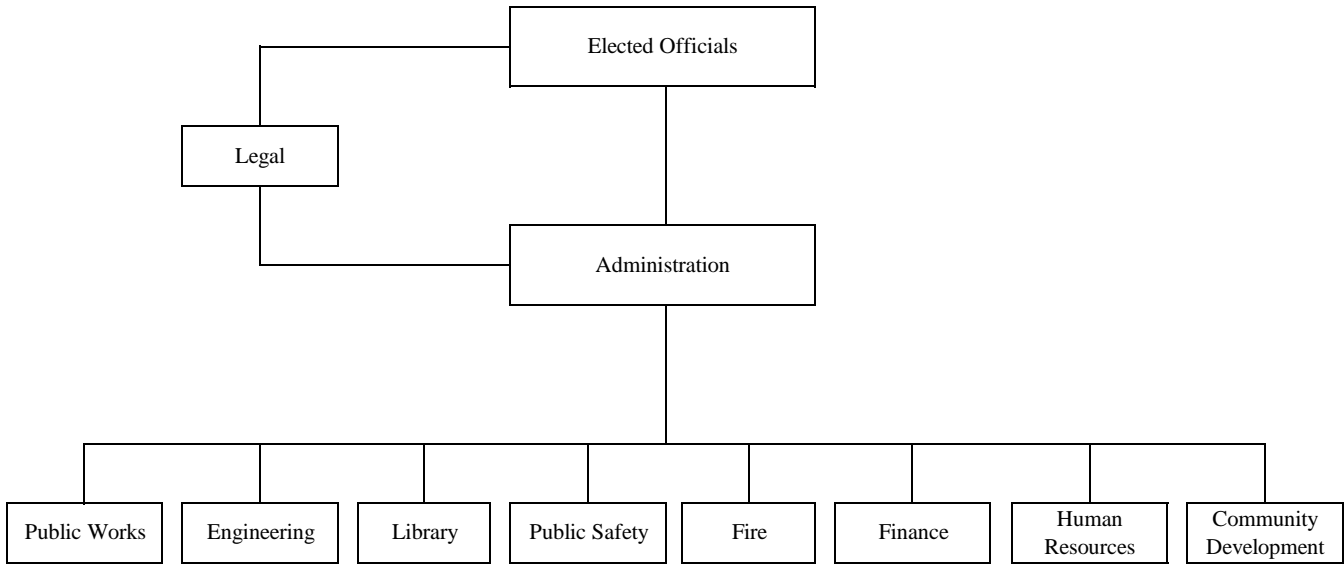
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

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	Laura Job
Council Member – Ward 2	Scott Kvamme
Council Member – Ward 2	Tom Rufer
Council Member – Ward 3	Al Kremeier
Council Member – Ward 3	Brent Thompson
Council Member – Ward 4	Anthony Hicks
Council Member – Ward 4	Scott Rachels

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, 2023, 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, 2023, 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.

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the Governmental Accounting Standards Board (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. 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. 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 23, 2024, 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.

Bugankov, Ltd.

St. Cloud, Minnesota
May 23, 2024

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, 2023. 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 \$148.5 million. Of this amount, \$36 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$3.8 million.
- As of the close of the current fiscal year, the City of Fergus Falls' governmental funds reported combined ending fund balances of \$21.6 million. Approximately 67 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 \$6.6 million, or 46 percent of total General fund expenditures.
- The City of Fergus Falls' total debt decreased by \$235,060 from 2022 to 2023. The Fergus Falls Port Authority issued bonds during 2023 for Phase 2 of the Downtown Riverfront Project 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 28 - 31 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-eight 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-four 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 32 - 41 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 42 - 51 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 52 - 53 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 54 - 107 of this report.

Other information. Required supplementary information regarding the postemployment healthcare plan and pensions can be found on pages 110 – 125 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 128 - 168 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 \$148,492,501 at the close of the most recent fiscal year.

	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$37,743,278	\$39,065,432	\$31,931,649	\$29,539,557	\$69,674,927	\$68,604,989
Capital assets	79,228,163	76,717,954	36,142,527	36,706,495	115,370,690	113,424,449
Total assets	116,971,441	115,783,386	68,074,176	66,246,052	185,045,617	182,029,438
Deferred outflows of resources	6,267,443	7,116,006	485,739	762,634	6,753,182	7,878,640
Long-term liabilities outstanding	22,118,600	28,001,348	7,236,222	8,472,869	29,354,822	36,474,217
Other liabilities	3,282,478	2,962,354	535,610	641,804	3,818,088	3,604,158
Total liabilities	25,401,078	30,963,702	7,771,832	9,114,673	33,172,910	40,078,375
Deferred inflows of resources	9,507,237	5,027,282	626,151	117,342	10,133,388	5,144,624
Net position:						
Net investment in						
capital assets	68,279,542	63,859,502	31,912,545	32,024,118	100,002,891	95,555,580
Restricted	10,439,068	9,790,722	2,097,543	2,065,894	12,536,611	11,856,616
Unrestricted	9,611,959	13,258,184	26,151,844	23,686,659	35,952,999	37,272,883
Total net position	\$88,330,569	\$86,908,408	\$60,161,932	\$57,776,671	\$148,492,501	\$144,685,079

By far the largest portion of the City of Fergus Falls' net position (67.34 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 (8.44 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$36 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 \$3.8 million during the current fiscal year. This increase resulted from the receipt of unexpended operating grants and capital grants for street and utility infrastructure, airport improvements, park improvements and the downtown riverfront corridor. The City's investment portfolio experienced investment earnings positively impacting the change in net position. The business-type activities also experienced profitability due to liquor store sales and adjustments to the City's utility rates, which contributed to the increase in net position.

City of Fergus Falls' Changes in Net Position

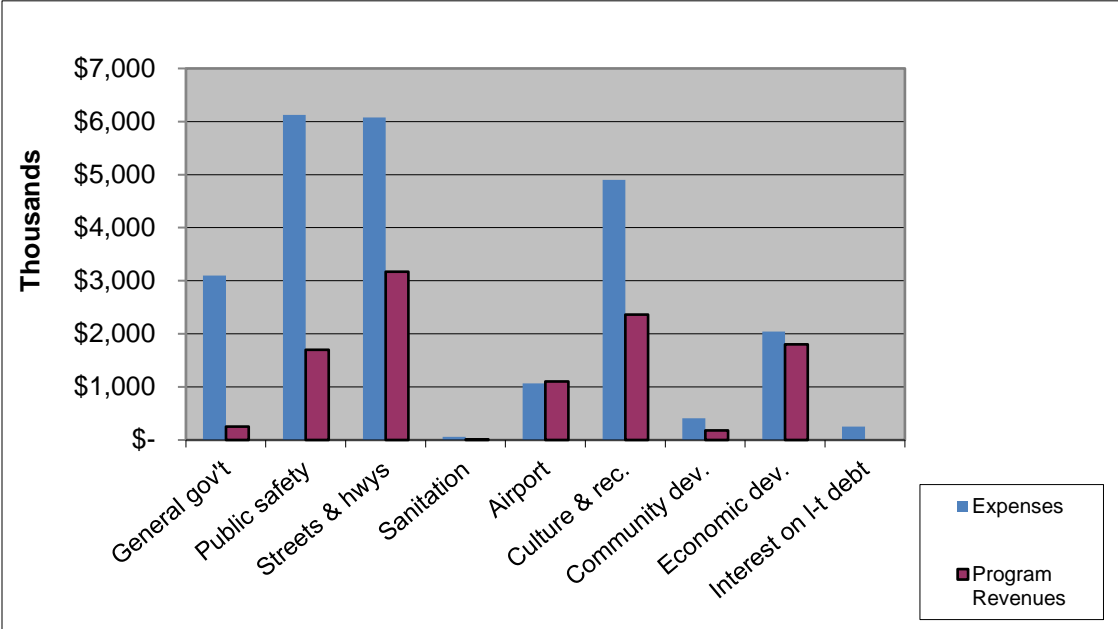
	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$2,371,600	\$2,313,889	\$17,331,302	\$16,857,269	\$19,702,902	\$19,171,158
Operating grants and contributions	1,909,912	1,279,203			1,909,912	1,279,203
Capital grants and contributions	6,297,477	4,287,334			6,297,477	4,287,334
General revenues:						
Property taxes	7,650,231	7,154,288			7,650,231	7,154,288
Local option sales tax	440,906	1,265,431			440,906	1,265,431
Lodging taxes	169,797	169,686			169,797	169,686
Tax increments	130,057	242,576			130,057	242,576
Intergovernmental	3,838,824	3,809,974			3,838,824	3,809,974
Unrestricted investment earnings	769,334	(884,915)	1,287,355	(1,592,041)	2,056,689	(2,476,956)
Gain on sale of capital assets	6,892	32,810		473	6,892	33,283
Total revenues	\$23,585,030	\$19,670,276	\$18,618,657	\$15,265,701	\$42,203,687	\$34,935,977
Expenses:						
General government	\$3,097,269	\$2,835,798			\$3,097,269	\$2,835,798
Public safety	6,123,119	5,384,525			6,123,119	5,384,525
Streets and highways	6,078,022	4,386,605			6,078,022	4,386,605
Sanitation	56,593	49,016			56,593	49,016
Airport	1,065,842	500,269			1,065,842	500,269
Culture and recreation	4,902,747	4,549,495			4,902,747	4,549,495
Community development	407,504	389,485			407,504	389,485
Economic development	2,045,315	996,509			2,045,315	996,509
Interest on long-term debt	255,134	247,061			255,134	247,061
Waste Management			3,201,557	3,243,053	3,201,557	3,243,053
Liquor Store			6,310,468	6,295,130	6,310,468	6,295,130
Sewage Disposal			2,121,910	1,972,975	2,121,910	1,972,975
Water Department			2,203,390	1,988,943	2,203,390	1,988,943
Storm Water			527,395	519,251	527,395	519,251
Total expenses	\$24,031,545	\$19,338,763	\$14,364,720	\$14,019,352	\$38,396,265	\$33,358,115
Increase (decrease) in net position before transfers	(\$446,515)	\$331,513	\$4,253,937	\$1,246,349	\$3,807,422	\$1,577,862
Transfers	1,868,676	520,301	(1,868,676)	(520,301)		
Increase (decrease) in net position	\$1,422,161	\$851,814	\$2,385,261	\$726,048	\$3,807,422	\$1,577,862
Net position - 01-01-23	86,908,408	86,113,745	57,776,671	57,050,623	144,685,079	143,164,368
Change in accounting principle/ prior period adjustment		(57,151)				(57,151)
Net position - 12-31-23	\$88,330,569	\$86,908,408	\$60,161,932	\$57,776,671	\$148,492,501	\$144,685,079

Governmental activities. Governmental activities increased the City of Fergus Falls' net position by \$1,422,161. Explanations regarding the increase and significant changes in governmental activities were as follows:

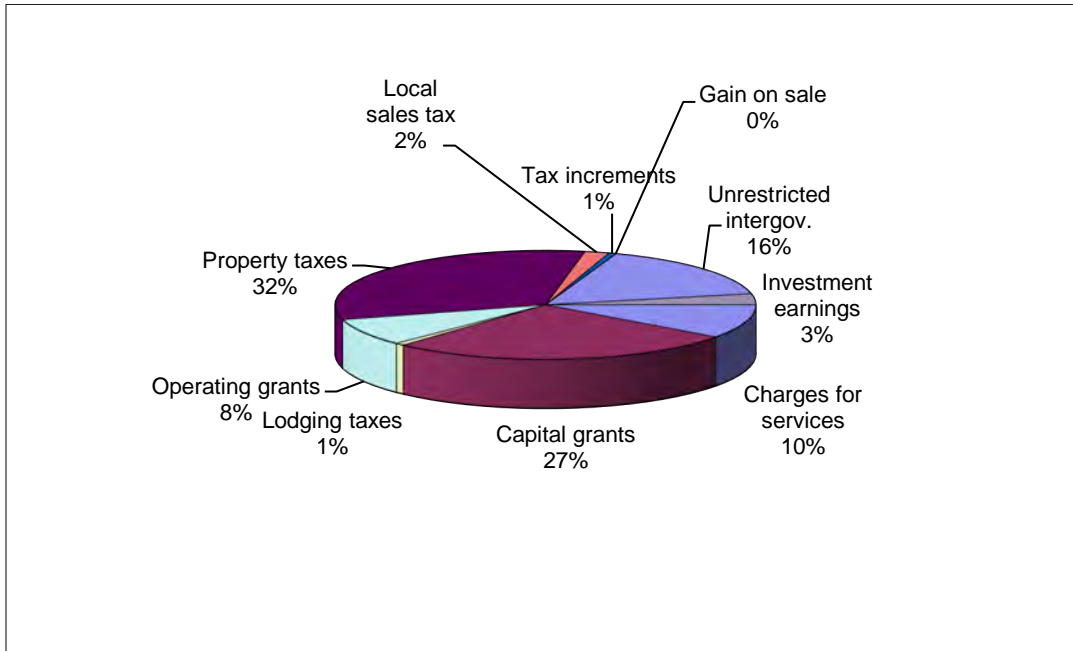
- The operating grants increased about \$631,000 or 49.00 percent from 2022. The City received new intergovernmental revenues from the State of Minnesota consisting of \$614,482 of Public Safety Aid and \$100,275 of Local Housing Aid.
- The capital grants increased \$2,000,000 from 2022 to 2023. The City received \$816,000 of Federal funding and additional State funding for the Lincoln Avenue and Union Avenue resurfacing project. The City also received increased Federal and State funding for airport improvement projects. The City levied special assessments for the street and utility reconstruction projects located on Summit Avenue, Linden Street, Laurel Street, and Stanton Avenue.
- The adopted property tax levy increased from \$7,058,500 in 2022 to \$7,631,550 million in 2023 or 8.12 percent.
- The City implemented a local option sales tax on October 1, 2023, after the previous tax was ended on September 30, 2022. The new local sales tax will be used to fund the aquatic center and improvements to DeLagoon Park area.
- The tax increments received by the City decreased as a result of the decertification of tax increment districts after the revenue notes were paid.
- The intergovernmental revenues remained stable from 2022 to 2023. The City is dependent on the \$3,837,648 of Local Government Aid (LGA) received from the State of Minnesota.
- The City experienced positive investment earnings in 2023 following the impact of increasing interest rates during 2022. The City's investment portfolio earned a return of 5.18 percent for 2023 compared to a negative return of (8.85 percent) for 2022. The governmental-type activities earned \$769,334 during 2023.
- The general government expenses increased due to the following:
 - Personnel costs increased according to existing labor contracts.
 - The City hired a Communications Manager in the fourth quarter of 2022. 2023 was the first full year included within the expenditures.
 - The City experienced staffing transitions with the retirement of two employees.
 - The main information technology system was migrated to the Power 10 upgrade.
- The public safety expenses increased due to the following:
 - Public safety wages and benefits increased \$212,000 according to existing labor contracts.
 - The City recorded pension expense for the City's proportionate share of the Public Retirement Association of Minnesota, which was \$231,089 higher than the amount recognized in 2022. The change in the fire relief pension expense had a \$245,513 impact on 2023 expenses.
- The streets and highways expenses increased about \$1,700,000 or 39 percent from 2022 to 2023. During 2023, the City resurfaced a portion of Lincoln Avenue and Union Avenue with funding received from federal and state programs.

- The airport expenditures were up \$565,573 in 2023 as compared to 2022. The City had various projects in progress at the airport such as replacement of the fuel system, pavement maintenance, and relocation of the AWOS system. The City also initiated the master plan for the airport.
- Culture and recreation expenditures were \$353,000 or 7.76 percent higher in 2023 compared to 2022. The City had previously purchased the chiller system from the school to serve the Community Ice Arena. The operating and repair expenses of the Community Arena increased about \$91,000 or 16 percent, most of which related to increased electricity to operate the chiller. Depreciation expense increased \$163,000 with the 2022 addition of the Downtown Riverfront Phase 1 project, Magnuson Park Improvements, and the arena chiller.
- Community development expenditures increased with the receipt of a Rural Development grant used toward the redevelopment of the old Red River Mill. The City’s housing rebate tax abatement program paid the first payments to homeowners in 2022. The 2023 payments increased \$16,590 for a total of \$42,535.
- Economic development expenditures increased \$1,049,000 during 2023 resulting from the preservation project performed on the old Regional Treatment Center. The 2023 costs were \$1,336,000 and were funded through a grant from the State of Minnesota.
- The City transferred funds from the business-type activities to the governmental activities to provide funding for various operating and capital expenditures.

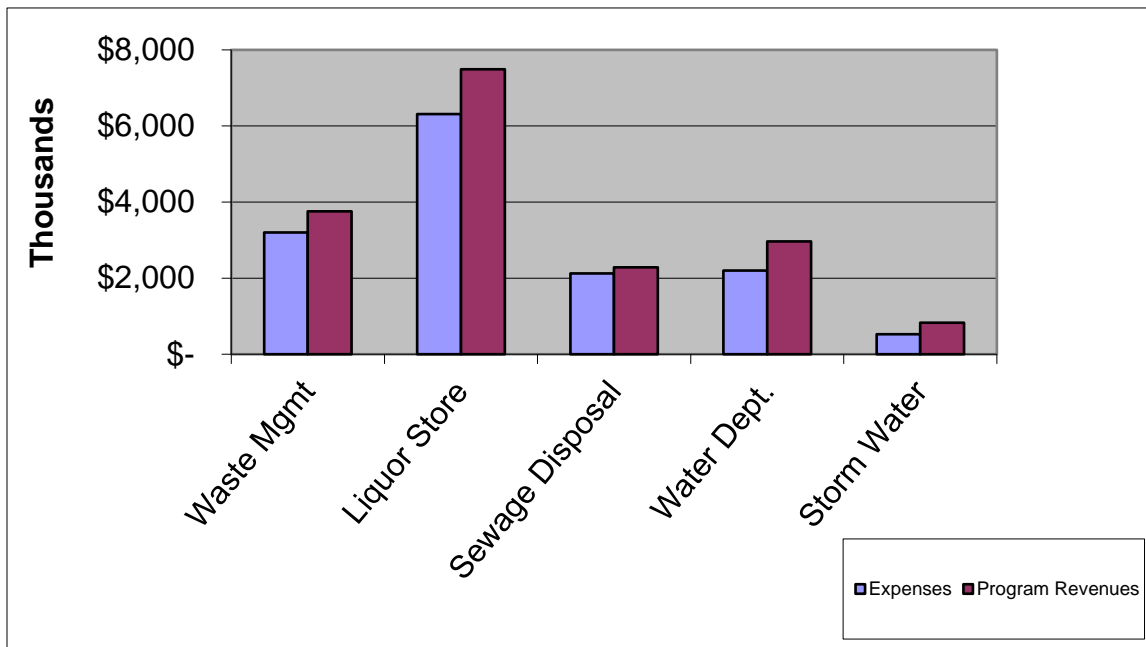
Expenses and Program Revenues – Governmental activities



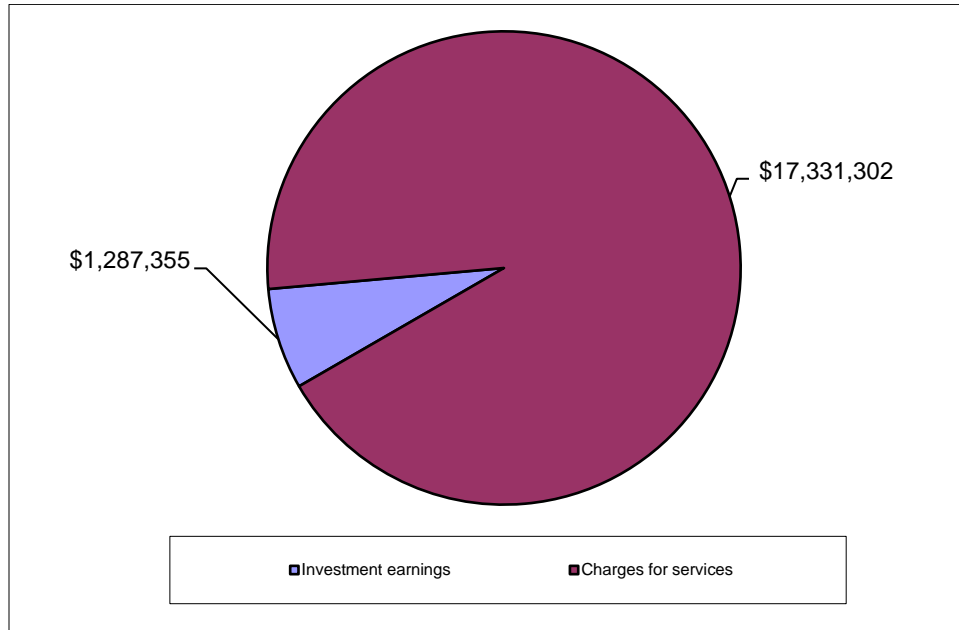
Revenues by Source – Governmental activities



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 \$2,385,261 for the current fiscal year. Significant changes in business-type activities were as follows:

- The charges for services increased \$474,033 from 2022 to 2023. The City adjusted utility rates in 2023 as follows: 3% for Waste Management, 4% for Sewage Disposal, 3% for Water Department, and 13% for Storm Water.
- The City experienced positive investment earnings in 2023 following the impact of increasing interest rates during 2022. The City’s investment portfolio earned a return of 5.18 percent for 2023 compared to a negative return of (8.85 percent) for 2022. The business-type activities earned \$1,287,355 during 2023.
- The Sewage Disposal and Water Department experienced increased operating costs resulting from system capacity studies and inflationary increases in operations. Various pump and control panel repairs were needed to the sewage disposal system.

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 \$21,656,028, a decrease of \$288,301, in comparison with the prior year. \$6,580,769 or 30.39 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 1.12 percent or \$242,954 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 31.79 percent or \$6,884,480 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 \$507,911. Fund balance amounts that are constrained by the City Council's intent are classified as assigned fund balance and comprise 34.35 percent of the total fund balance or \$7,439,914.

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 \$6,580,769, while the total fund balance was \$10,063,245. 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 45.95 percent of the total General fund expenditures, while the total fund balance represents 70.26 percent of that same amount.

The fund balance of the City of Fergus Falls' General fund increased by \$1,378,653 during the current fiscal year. Key factors in this increase are as follows:

- At the end of the year, the City received \$614,482 of Public Safety Aid and \$100,275 of Local Housing Aid from the State of Minnesota. The funds will be used in a future year.
- The investment earnings were \$596,739 versus the budget of \$200,000 as noted with the performance of the investment portfolio.
- The City's 2023 bituminous overlay and seal coat projects were \$182,000 under budget. The City will carry \$170,000 of the unexpended budget for the 2024 projects.

The Port Authority fund had a total fund balance of \$3,602,100 as of December 31, 2023. Of the total fund balance, \$626,667 is restricted for the Community Behavioral Health Hospital (CBHH) operations and capital maintenance and \$150,813 is restricted for a MN DEED revolving loan for the old dairy site cleanup. The remaining fund balance of \$2,824,620 is assigned for Port Authority economic development purposes. The net increase in fund balance during the current year was \$172,954. The increase was the result of a \$112,500 settlement received for the old dairy site and funds received from the State of Minnesota for future capital maintenance of the CBHH. The demolition and cleanup expenses for the old dairy site are accounted for in the property held for resale as the Port Authority intends to sell the property for future park 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 \$44,027 as of December 31, 2023, 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 \$690,126 as of December 31, 2023. Of the total fund balance, \$127,671 is restricted for unexpended bond proceeds for infrastructure improvements. The remaining fund balance of \$562,455 is assigned for future capital projects and debt service on improvement bonds. The fund balance decreased \$1,067,226 during the current year. The City transferred unexpended donations of \$395,681 to the Public Library special revenue fund. The funds will be used for future capital maintenance of the Public Library. The City expended \$101,200 from fund balance for Permanent Improvement Revolving Fund projects and bond debt service payments. The City also expended funds during 2023 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 \$1,690,794.
- Liquor Store net position of \$2,445,355.
- Sewage Disposal net position of \$10,862,905.
- Water Department net position of \$6,496,463.
- Storm Water net position of \$2,139,202.

The total change in net position for proprietary funds was an increase of \$2,273,065. The net increase was the result of positive operations and positive investment earnings in all proprietary funds. 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 2023 were an increase of \$2,742,068 in appropriations (expenditures and transfers out) and can be briefly summarized as follows:

- \$1,449,984 increase from unexpended 2022 capital outlay carried forward to 2023.
- \$660,000 increase to transfers out for funding to the Operations capital projects fund for the Downtown Riverfront Phase 2 project.
- \$194,838 increase to carry forward funding for future payments of benefits owed upon retirements.
- \$118,166 increase from 2022 in unexpended forfeiture funds carried forward to 2023 and a \$8,272 increase for the receipt of 2023 forfeitures.
- \$104,000 increase for the receipt of a federal grant (\$78,000) and matching funds (\$26,000) for mountain bike trail in Ferber Park.
- \$58,319 increase to the ice and snow removal budget from the unexpended 2023 budget.
- \$53,000 increase for the replacement of the scoreboard at the American Legion Field with funding provided by the Youth Baseball Association.
- \$41,414 increase for funding to the Red River Mill project funded through a redevelopment grant.
- A net increase of \$62,347 as a result of miscellaneous adjustments for various programs.

When comparing the 2023 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 \$31,423 over the budget.
- The City received funds from the ARPA and recognized \$83,713, which was not included within the 2023 budget.
- The City received \$206,852 of unbudgeted intergovernmental State revenues restricted for street maintenance projects, \$44,087 of additional State Police Aid, \$614,482 of Public Safety Aid, and \$100,275 of Local Housing Aid, all of which were not included in the 2023 budget.
- The City received unbudgeted charges for off-season ice rental at the Community Ice Arena.
- The City experienced positive investment earnings of \$596,739 compared to \$200,000 included in the 2023 budget.
- 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 Data Processing department spent less than anticipated on supplies and equipment with the upgrade of the main information technology system to Power 10.
- The Streets and Highways department did not perform a seal coat project during 2023 and the unexpended funds along with funds for bituminous overlays will be carried forward to 2024.
- The Culture and Recreation expenditures exceeded the budget due to the provision of off-season ice and increased staff and utility costs for operating the arena. Additional charges for services were received from renting the arena for off-season ice. The Park Areas were also over budget with more staff time allocated to Park Areas from other areas of the City.
- The debt service expenditures were over budget due to reallocating lease payments according to GASB No. 87.
- The Community Development expenditures exceeded the budget due to expenditures for redevelopment of the Red River Mill that were funded through a redevelopment grant.
- The Economic Development expenditures exceeded the budget by \$11,264 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 \$110,620 to the Operations capital projects fund to cover interest expense for projects under construction.
- 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, 2023 amounts to \$115,370,690 (net of accumulated depreciation and amortization). 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 2023; additions to capital assets were \$404,924 and construction in progress as of the close of the fiscal year was \$813,658.
- The fuel system at the airport was replaced and \$729,483 was added to capital assets.
- The City is constructing improvements to the downtown riverfront corridor. The first phase was completed during 2022 and the second phase was under construction during 2023 with completion planned for 2024. Construction in progress for the second phase was \$4,088,711 as of December 31, 2023.
- The City completed the technology update for the Bigwood Event Center and \$83,713 was added to capital assets.
- During 2023, the City purchased \$496,527 of various equipment to replace machinery and equipment within the City's fleet. Equipment with a historical cost of \$183,002 was either traded in for the new equipment or disposed.
- The City constructed a salt and sand storage building during 2023 for a cost of \$292,604.
- During 2023, 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 \$1,697,728. Construction in progress for these areas was \$889,476 as of December 31, 2023.

- Depreciation and amortization for 2023 was \$4,019,508 for governmental activities and \$1,527,819 for business-type activities.

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

	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
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	24,555,001	24,520,701	3,626,317	3,766,902	28,181,318	28,287,603
Improvements other than buildings	10,428,175	10,790,562	29,764,192	29,386,467	40,192,367	40,177,029
Machinery and equipment	5,297,626	5,502,383	1,296,602	1,363,835	6,594,228	6,866,218
Infrastructure	26,218,011	27,011,945			26,218,011	27,011,945
Leased equipment	92,215	114,433			92,215	114,433
Construction in progress	6,217,605	2,358,400	889,476	1,623,351	7,107,081	3,981,751
Total	\$79,228,163	\$76,717,954	\$36,142,527	\$36,706,495	\$115,370,690	\$113,424,449

Additional information on the City of Fergus Falls' capital assets can be found in Note 3 on pages 72 - 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 \$17,079,320. Of this amount, \$3,350,000 comprises capital improvement plan debt and equipment certificates backed by the full faith and credit of the City; \$1,300,000 comprises improvement debt backed by special assessments levied against benefiting properties and the full faith and credit of the City; \$6,834,320 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 \$3,925,000 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	
	2023	2022	2023	2022	2023	2022
Capital improvement plan	\$3,060,000	\$3,370,000			\$3,060,000	\$3,370,000
Equipment certificates	290,000	335,000			290,000	335,000
Sales tax revenue bonds	0	900,000			0	900,000
Improvement debt with governmental commitment	1,300,000	1,585,000			1,300,000	1,585,000
Port Authority bonds	6,834,320	4,984,547			6,834,320	4,984,547
Tax increment bonds	1,670,000	1,670,000			1,670,000	1,670,000
Revenue bonds			3,925,000	4,315,000	3,925,000	4,315,000
Total	\$13,154,320	\$12,844,547	\$3,925,000	\$4,315,000	\$17,079,320	\$17,159,547

The City of Fergus Falls' total bonded debt decreased \$80,227 (.47 percent) during the current fiscal year. The change in bonded debt is the result of the issuance of the \$2,015,000 G.O. Port Authority Bonds, Series 2023A, which provided funds for Phase 2 of the improvements to the Downtown Riverfront Corridor. The City also received proceeds from the final draw of the G.O. Port Authority Bonds, Series 2020B (\$55,183). 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 \$34,578,714, 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 2023 annual average unemployment rate (not seasonally adjusted) for the City of Fergus Falls was 2.50 percent, which was a decrease from a rate of 3.40 percent a year ago. This compares favorably to the State's 2023 annual unemployment rate (not seasonally adjusted) of 2.60 percent, and also compares favorably to the United States' 2023 annual average unemployment rate of 3.50 percent.

Development activity within the City continued to grow during 2023. The City experienced new home construction and the housing market remained strong for existing home sales. The City experienced new construction in the commercial area as well as several remodeling projects. The value of building permits decreased from a high in 2022 of \$47.4 million to \$38.6 million in 2023. The City is experiencing further development activity thus far in 2024, including new construction and remodeling permits with a value of \$32.5 million.

The City experienced growth in the valuation of commercial and residential properties during 2022 and 2023. The City's 2024 property tax levy increased \$515,450 or 6.75 percent. The City's tax rate increased from 53.806 percent in 2023 to 54.652 percent in 2024 or 1.57 percent.

During the current fiscal year, the total fund balance in the General fund increased to \$10,063,245. The City relies on the State of Minnesota Local Government Aid (LGA). The 2023 LGA allotment of \$3,837,648 comprises 20 percent of the funding for the 2023 General fund original budget. The City received a .75 percent increase in LGA for 2023. For several years, the City has experienced stable amounts of LGA from the State of Minnesota. The State of Minnesota allocated an additional \$578,000 or 15 percent of LGA to the City for 2024. The City strives to maintain an 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 2024 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, 2023

	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	\$5,661,254	\$6,342,142	\$12,003,396	\$304,173	\$191,963
Investments	12,006,775	15,500,000	27,506,775		
Receivables:					
Taxes	589,168		589,168		
Special assessments	5,682,910		5,682,910		
Notes and contracts	4,722,114		4,722,114		
Leases	2,620,721		2,620,721		
Intergovernmental	3,570,725	100,504	3,671,229		21,122
Other	933,812	949,348	1,883,160	18,942	845
Internal balances	(4,461,199)	4,461,199			
Inventories	473,226	1,724,649	2,197,875		
Prepaid items	99,749	69,304	169,053	1,565	2,995
Property held for resale	3,888,703		3,888,703		
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	822,230	1,284,503	2,106,733		
Investments		1,500,000	1,500,000		
Net pension asset - fire relief association	1,133,090		1,133,090		
Capital assets (net of accumulated depreciation):					
Land	6,187,360	565,940	6,753,300		
Intangible assets	232,170		232,170		
Buildings and systems	24,555,001	3,626,317	28,181,318		
Improvements other than buildings	10,428,175	29,764,192	40,192,367		
Machinery and equipment	5,297,626	1,296,602	6,594,228		
Infrastructure	26,218,011		26,218,011		
Lease equipment	92,215		92,215		
Construction in progress	6,217,605	889,476	7,107,081		
Total assets	\$116,971,441	\$68,074,176	\$185,045,617	\$324,680	\$216,925
DEFERRED OUTFLOWS OF RESOURCES					
OPEB	\$57,056	\$18,012	\$75,068		
Pensions	6,210,387	467,727	6,678,114		
Total deferred outflows of resources	\$6,267,443	\$485,739	\$6,753,182		

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	PEG Access	Fergus Falls Convention and Visitor's Bureau, Inc.
LIABILITIES					
Accounts payable	\$1,270,881	\$312,237	\$1,583,118	\$123	\$2,066
Accrued salaries payable	190,731	60,691	251,422	947	1,166
Retainage payable	476,251		476,251		
Intergovernmental payable	168,983	117,506	286,489	103	209
Interest payable	101,924	34,050	135,974		
Unearned revenue	1,045,606	11,126	1,056,732		
Liabilities payable from restricted assets	28,102		28,102		
Noncurrent liabilities:					
Due within one year	1,659,371	672,586	2,331,957	4,168	3,416
OPEB liability	28,586	9,023	37,609		
Due in more than one year	13,787,908	4,691,960	18,479,868	7,055	828
OPEB liability	407,233	128,550	535,783		
Net pension liability	6,235,502	1,734,103	7,969,605		
Total liabilities	<u>\$25,401,078</u>	<u>\$7,771,832</u>	<u>\$33,172,910</u>	<u>\$12,396</u>	<u>\$7,685</u>
DEFERRED INFLOWS OF RESOURCES					
Revenue for subsequent years	\$746,536		\$746,536		
Lease receivable	2,620,721		2,620,721		
OPEB	208,619	65,854	274,473		
Pensions	5,931,361	560,297	6,491,658		
Total deferred inflows of resources	<u>\$9,507,237</u>	<u>\$626,151</u>	<u>\$10,133,388</u>		
NET POSITION					
Net investment in capital assets	\$68,279,542	\$31,912,545	\$100,002,891		
Permanently restricted for: (nonexpendable)					
Library purposes	14,301		14,301		
Temporarily restricted for: (expendable)					
Canine program	3,253		3,253		
CBHH operations	28,673		28,673		
Community ice arena	409,840		409,840		
Dairy DEED revolving loan	150,813		150,813		
Debt service	2,693,942		2,693,942		
E & G Noyes Park	433		433		
Employee flexible benefits	1,767		1,767		
Fire relief pension	1,133,090		1,133,090		
Housing programs	100,275		100,275		
Infrastructure improvements	127,671		127,671		
Landfill closure/postclosure		2,097,543	2,097,543		
Library building	405,554		405,554		
Library purposes	54,862		54,862		
Park improvements	5,702		5,702		
Park sales tax funded projects	419,424		419,424		
Police forfeitures	126,438		126,438		
Police programs	7,065		7,065		
Public restrooms	7,876		7,876		
Public safety purposes	614,482		614,482		
Renewal and replacement - CBHH	597,994		597,994		
Revolving loans	2,919,626		2,919,626		
Street maintenance	508,498		508,498		
Tax increment districts	98,501		98,501		
Tri-centennial	8,988		8,988		
Unrestricted	<u>9,611,959</u>	<u>26,151,844</u>	<u>35,952,999</u>	<u>312,284</u>	<u>209,240</u>
Total net position	<u><u>\$88,330,569</u></u>	<u><u>\$60,161,932</u></u>	<u><u>\$148,492,501</u></u>	<u><u>\$312,284</u></u>	<u><u>\$209,240</u></u>

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, 2023

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$3,097,269	\$249,791	\$2,763	
Public safety	6,123,119	502,212	1,194,391	2,025
Streets and highways	6,078,022	51,474	278,839	2,839,676
Sanitation	56,593	14,203	40	
Airport	1,065,842	19,425	50,250	1,032,386
Culture and recreation	4,902,747	1,014,636	171,801	1,174,070
Community development	407,504	10,432	170,185	
Economic development	2,045,315	509,427	41,643	1,249,320
Interest on long-term debt	255,134			
Total governmental activities	<u>\$24,031,545</u>	<u>\$2,371,600</u>	<u>\$1,909,912</u>	<u>\$6,297,477</u>
Business-type activities:				
Waste Management	\$3,201,557	\$3,756,434		
Liquor Store	6,310,468	7,491,985		
Sewage Disposal	2,121,910	2,286,904		
Water Department	2,203,390	2,963,533		
Storm Water	527,395	832,446		
Total business-type activities	<u>\$14,364,720</u>	<u>\$17,331,302</u>		
Total primary government	<u><u>\$38,396,265</u></u>	<u><u>\$19,702,902</u></u>	<u><u>\$1,909,912</u></u>	<u><u>\$6,297,477</u></u>
Component units:				
PEG Access	\$73,517	\$640	\$100,018	
Fergus Falls Convention and Visitor's Bureau, Inc.	157,702	627	170,697	
Total component units	<u><u>\$231,219</u></u>	<u><u>\$1,267</u></u>	<u><u>\$270,715</u></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				
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.
(\$2,844,715)		(\$2,844,715)		
(4,424,491)		(4,424,491)		
(2,908,033)		(2,908,033)		
(42,350)		(42,350)		
36,219		36,219		
(2,542,240)		(2,542,240)		
(226,887)		(226,887)		
(244,925)		(244,925)		
(255,134)		(255,134)		
<u>(\$13,452,556)</u>		<u>(\$13,452,556)</u>		
	\$554,877	\$554,877		
	1,181,517	1,181,517		
	164,994	164,994		
	760,143	760,143		
	305,051	305,051		
	<u>\$2,966,582</u>	<u>\$2,966,582</u>		
<u>(\$13,452,556)</u>	<u>\$2,966,582</u>	<u>(\$10,485,974)</u>		
			\$27,141	
				13,622
			<u>\$27,141</u>	<u>\$13,622</u>
\$7,650,231		\$7,650,231		
440,906		440,906		
169,797		169,797		
130,057		130,057		
3,838,824		3,838,824		
769,334	1,287,355	2,056,689	13,958	9,295
6,892		6,892		
1,868,676	(1,868,676)			
<u>\$14,874,717</u>	<u>(\$581,321)</u>	<u>\$14,293,396</u>	<u>\$13,958</u>	<u>\$9,295</u>
\$1,422,161	\$2,385,261	\$3,807,422	\$41,099	\$22,917
86,908,408	57,776,671	144,685,079	271,185	186,323
<u>\$88,330,569</u>	<u>\$60,161,932</u>	<u>\$148,492,501</u>	<u>\$312,284</u>	<u>\$209,240</u>

CITY OF FERGUS FALLS, MINNESOTA
Balance Sheet
Governmental Funds
December 31, 2023

	<u>General</u>	<u>Special Revenue Port Authority</u>	<u>Debt Service G.O. Port Authority 2019A</u>
ASSETS			
Cash and cash equivalents	\$2,900,863	\$222,099	\$55,921
Restricted cash	10,844	794,128	
Investments	8,356,775		
Receivables:			
Taxes	187,122	1,882	
Special assessments			
Notes and contracts	7,500		2,497,500
Lease	215,562	2,405,159	
Intergovernmental	54,918		
Other	164,214	836	210
Due from other funds	5,168		
Inventories	129,854		
Prepaid items	91,220		
Property held for resale	30,795	3,857,908	
	<u>\$12,154,835</u>	<u>\$7,282,012</u>	<u>\$2,553,631</u>
LIABILITIES			
Accounts payable	\$307,706	\$3,553	
Accrued salaries payable	164,969	1,665	
Retainage payable			
Intergovernmental payable	141,447		
Due to other funds	324,865	1,261,959	
Advances from other funds	36,056		
Interest payable	542		
Unearned revenue	744,610	6,054	12,104
Customer deposits	10,844		
	<u>\$1,731,039</u>	<u>\$1,273,231</u>	<u>\$12,104</u>
DEFERRED INFLOWS OF RESOURCES			
Revenue for subsequent years	\$2,500		
Unavailable revenue - property tax	142,489	1,522	
Unavailable revenue - special assessments			
Unavailable revenue - long-term contract receivable			2,497,500
Lease receivable	215,562	\$2,405,159	
	<u>\$360,551</u>	<u>\$2,406,681</u>	<u>\$2,497,500</u>
FUND BALANCES			
Nonspendable	\$221,074		
Restricted	1,788,915	777,480	44,027
Committed			
Assigned	1,472,487	2,824,620	
Unassigned	6,580,769		
	<u>\$10,063,245</u>	<u>\$3,602,100</u>	<u>\$44,027</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$12,154,835</u>	<u>\$7,282,012</u>	<u>\$2,553,631</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>
	\$1,957,288	\$5,136,171
	17,258	822,230
	1,750,000	10,106,775
4,232	395,932	589,168
5,682,910		5,682,910
	2,217,114	4,722,114
		2,620,721
2,283,026	1,232,781	3,570,725
7,729	750,904	923,893
2,530,934	302,558	2,838,660
	2,200	132,054
	5,379	96,599
		3,888,703
<u>\$10,508,831</u>	<u>\$8,631,414</u>	<u>\$41,130,723</u>
\$484,857	\$436,373	\$1,232,489
1,749	15,670	184,053
439,210	37,041	476,251
3,087	23,688	168,222
2,178,606	798,321	4,563,751
		36,056
8,091	2,988	11,621
273,445	5,000	1,041,213
	17,258	28,102
<u>\$3,389,045</u>	<u>\$1,336,339</u>	<u>\$7,741,758</u>
\$744,036		\$746,536
3,432	38,545	185,988
5,682,192		5,682,192
		2,497,500
		2,620,721
<u>\$6,429,660</u>	<u>\$38,545</u>	<u>\$11,732,937</u>
	\$21,880	\$242,954
127,671	4,146,387	6,884,480
	507,911	507,911
562,455	2,580,352	7,439,914
		6,580,769
<u>\$690,126</u>	<u>\$7,256,530</u>	<u>\$21,656,028</u>
<u>\$10,508,831</u>	<u>\$8,631,414</u>	<u>\$41,130,723</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, 2023

Total fund balance - governmental funds	\$21,656,028
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	139,166,446
Less: Accumulated depreciation	(62,886,275)
Lease equipment	139,436
Less: Accumulated amortization	(47,221)
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	(11,854,320)
Permanent improvement revolving fund bonds	(1,300,000)
Lease liability	(94,538)
Compensated absences - benefits owed	(1,411,164)
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.	
	(749,488)
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.	
	5,144,152
The consolidation of the internal service funds with the governmental activities resulted in an internal balance to business-type activities.	
	(2,517,125)
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.	
	185,988
Deferred and delinquent special assessment receivables are not available to pay for current expenditures and, therefore, are deferred in the funds.	
	5,682,192
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.	
	2,497,500
Governmental funds do not report a liability for a total OPEB liability.	
	(435,819)
Governmental funds do not report a liability for accrued interest on long-term debt until due and payable.	
	(90,303)
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.	
	(6,026,623)
Net pension assets created through non-employer contributions to defined benefit pension plans are not recognized in the governmental funds.	
	1,133,090
Deferred outflows of resources related to pensions are not reported in the funds.	
	6,154,047
Deferred outflows of resources related to the OPEB liability are not reported in the funds.	
	57,056
Deferred inflows of resources related to pensions are not reported in the funds.	
	(5,863,871)
Deferred inflows of resources related to the OPEB liability are not reported in the funds.	
	(208,619)
Total net position - governmental activities	\$88,330,569

CITY OF FERGUS FALLS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2023

	<u>General</u>	<u>Special Revenue Port Authority</u>	<u>Debt Service G.O. Port Authority 2019A</u>
REVENUES			
Taxes	\$6,026,752	\$59,955	
Special assessments			
Licenses and permits	266,968		
Intergovernmental	5,680,427	9	
Charges for services	1,170,920		
Fines and forfeits	75,705		
Contributions	75,248		
Investment earnings	596,739	20,468	3,338
Other interest income			
Rent	74,810	221,972	141,550
Other	49,355	112,831	
	<u>\$14,016,924</u>	<u>\$415,235</u>	<u>\$144,888</u>
EXPENDITURES			
Current:			
General government	\$2,699,913		
Public safety	5,362,755		
Streets and highways	2,467,150		
Sanitation	57,333		
Airport	222,504		
Culture and recreation	2,349,910		
Community development	335,343		
Economic development	102,788	210,247	
Debt service:			
Principal	22,849	395	60,000
Interest	4,049	29	79,050
Other			495
Capital outlay	698,329		
	<u>\$14,322,923</u>	<u>\$210,671</u>	<u>\$139,545</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(\$305,999)</u>	<u>\$204,564</u>	<u>\$5,343</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$2,726,645		
Transfers (out)	(1,041,993)	(86,793)	
General obligation bonds issued		55,183	
Premium on general obligation bonds issued			
Proceeds from lease issuance			
	<u>\$1,684,652</u>	<u>(\$31,610)</u>	
Net change in fund balances	\$1,378,653	\$172,954	\$5,343
Fund balances - beginning	8,684,592	3,429,146	38,684
Fund balances - ending	<u>\$10,063,245</u>	<u>\$3,602,100</u>	<u>\$44,027</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>
\$124,233	\$2,143,665	\$8,354,605
384,844		384,844
		266,968
3,400,766	1,197,355	10,278,557
	129,014	1,299,934
	6,337	82,042
954,707	48,117	1,078,072
(115,139)	148,300	653,706
46,182	61,380	107,562
	107,800	546,132
21,605	15,965	199,756
<u>\$4,817,198</u>	<u>\$3,857,933</u>	<u>\$23,252,178</u>
		\$2,699,913
		5,362,755
2,323,793		4,790,943
		57,333
	597,659	820,163
10,259	1,191,317	3,551,486
	72,064	407,407
1,336,308	284,503	1,933,846
	1,739,424	1,822,668
	281,367	364,495
	1,991	2,486
4,647,592	913,794	6,259,715
<u>\$8,317,952</u>	<u>\$5,082,119</u>	<u>\$28,073,210</u>
<u>(\$3,500,754)</u>	<u>(\$1,224,186)</u>	<u>(\$4,821,032)</u>
\$1,017,913	\$1,944,457	\$5,689,015
(737,856)	(1,521,336)	(3,387,978)
2,015,000		2,070,183
138,471		138,471
	23,040	23,040
<u>\$2,433,528</u>	<u>\$446,161</u>	<u>\$4,532,731</u>
(\$1,067,226)	(\$778,025)	(\$288,301)
<u>1,757,352</u>	<u>8,034,555</u>	<u>21,944,329</u>
<u>\$690,126</u>	<u>\$7,256,530</u>	<u>\$21,656,028</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, 2023

Total net change in fund balance - governmental funds	(\$288,301)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	6,034,591
Depreciation/amortization expense	(3,333,131)
Net effect of various transactions involving capital assets	(233,742)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the fund.	
Special assessments deferred and delinquent	218,857
Notes receivable deferred	(62,500)
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.	
	36,386
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the statement of activities.	
	8,518
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.	
	1,822,668
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.	
	(2,093,223)
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.	
	3,978
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.	
	(30,602)
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.	
	35,548
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.	
	(623,088)
Internal service fund activity.	(73,798)
Change in net position - governmental activities	\$1,422,161

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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$6,085,150	\$6,085,150	\$6,026,752	(\$58,398)
Licenses and permits	222,960	222,960	266,968	44,008
Intergovernmental	4,450,048	4,618,514	5,680,427	1,061,913
Charges for services	973,956	973,956	1,170,920	196,964
Fines and forfeits	59,500	67,772	75,705	7,933
Contributions	5,000	64,500	75,248	10,748
Investment earnings	200,000	200,000	596,739	396,739
Other interest income	2,000	2,000		(2,000)
Rent	46,500	46,500	74,810	28,310
Other	50,000	50,000	49,355	(645)
	<u>\$12,095,114</u>	<u>\$12,331,352</u>	<u>\$14,016,924</u>	<u>\$1,685,572</u>
EXPENDITURES				
General government	\$2,737,337	\$2,912,888	\$2,699,913	(\$212,975)
Public safety	5,440,866	5,399,757	5,362,755	(37,002)
Streets and highways	2,782,110	2,840,067	2,467,150	(372,917)
Sanitation	52,192	52,192	57,333	5,141
Airport	215,993	215,993	222,504	6,511
Culture and recreation	2,007,487	2,016,335	2,349,910	333,575
Community development	298,904	301,404	335,343	33,939
Economic development	50,073	91,487	102,788	11,301
Debt service:				
Principal			22,849	22,849
Interest	1,422	1,422	4,049	2,627
Capital outlay	439,125	2,276,032	698,329	(1,577,703)
	<u>\$14,025,509</u>	<u>\$16,107,577</u>	<u>\$14,322,923</u>	<u>(\$1,784,654)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(\$1,930,395)</u>	<u>(\$3,776,225)</u>	<u>(\$305,999)</u>	<u>\$3,470,226</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$1,887,245	\$1,897,470	\$2,726,645	\$829,175
Transfers (out)	(110,500)	(770,500)	(1,041,993)	(271,493)
	<u>\$1,776,745</u>	<u>\$1,126,970</u>	<u>\$1,684,652</u>	<u>\$557,682</u>
Net change in fund balances	<u>(\$153,650)</u>	<u>(\$2,649,255)</u>	\$1,378,653	<u>\$4,027,908</u>
Fund balance - beginning			<u>8,684,592</u>	
Fund balance - ending			<u>\$10,063,245</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, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Taxes:			
General property tax	\$61,000	\$59,881	(\$1,119)
Mobile home tax	75	74	(1)
Total taxes	\$61,075	\$59,955	(\$1,120)
Intergovernmental	10	9	(1)
Investment earnings	10,000	20,468	10,468
Rent	238,490	221,972	(16,518)
Other	112,831	112,831	112,831
Total revenues	\$309,575	\$415,235	\$105,660
EXPENDITURES			
Current:			
Economic development	\$313,828	\$210,247	(\$103,581)
Debt service:			
Principal		\$395	\$395
Interest		29	29
Total debt service		\$424	\$424
Total expenditures	\$313,828	\$210,671	(\$103,157)
Excess (deficiency) of revenues over (under) expenditures	(\$4,253)	\$204,564	\$208,817
OTHER FINANCING SOURCES (USES)			
Transfers out	(\$88,137)	(\$86,793)	\$1,344
General obligation bonds issued		55,183	55,183
Total other financing sources and (uses)	(\$88,137)	(\$31,610)	\$56,527
Net change in fund balances	(\$92,390)	\$172,954	\$265,344
Fund balance - beginning		3,429,146	
Fund balance - ending		\$3,602,100	

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, 2023

	Business-type Activities- Enterprise Funds	
	Waste Management	Liquor Store
ASSETS		
Current assets:		
Cash and cash equivalents	\$668,422	\$766,055
Investments	1,500,000	900,000
Receivables:		
Interest	18,566	6,187
Accounts	354,483	
Intergovernmental		
Other	60	86
Due from other funds	10,025	
Advances to Other Funds		
Inventories		1,575,034
Prepaid items	69,304	
Total current assets	\$2,620,860	\$3,247,362
Noncurrent assets:		
Restricted assets:		
Financial assurance held for landfill closure/postclosure:		
Cash and cash equivalents	\$1,284,503	
Investments	1,500,000	
Total restricted assets	\$2,784,503	
Capital assets:		
Land	\$83,108	\$304,982
Buildings and systems	871,925	1,770,098
Improvements other than buildings	3,042,338	
Machinery and equipment	536,460	243,547
Construction in progress	28,703	
Less accumulated depreciation	(2,053,406)	(1,345,473)
Total capital assets (net of accumulated depreciation)	\$2,509,128	\$973,154
Total noncurrent assets	\$5,293,631	\$973,154
Total assets	\$7,914,491	\$4,220,516
DEFERRED OUTFLOWS OF RESOURCES		
OPEB	\$4,997	\$2,385
Pensions	143,778	123,528
Total deferred outflows of resources	\$148,775	\$125,913

Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
Sewage Disposal	Water Department	Storm Water	Totals	
\$2,422,331	\$1,730,144	\$755,190	\$6,342,142	\$525,083
6,000,000	5,600,000	1,500,000	15,500,000	1,900,000
42,753	27,621	8,489	103,616	9,919
180,092	223,976	73,404	831,955	
	54,822	45,682	100,504	
10,077	3,554		13,777	
2,982,623		9,335	3,001,983	439
49,550	100,065		1,724,649	36,056
			69,304	341,172
				3,150
<u>\$11,687,426</u>	<u>\$7,740,182</u>	<u>\$2,392,100</u>	<u>\$27,687,930</u>	<u>\$2,815,819</u>
			\$1,284,503	
			1,500,000	
			<u>\$2,784,503</u>	
\$8,709	\$100,608	\$68,533	\$565,940	\$4,350
14,427,561	4,356,378		21,425,962	713,415
20,379,201	22,668,562	11,380,940	57,471,041	10,798,711
1,330,886	1,128,489		3,239,382	
449,722	215,398	195,653	889,476	
<u>(24,708,954)</u>	<u>(13,794,278)</u>	<u>(5,547,163)</u>	<u>(47,449,274)</u>	<u>(8,660,699)</u>
<u>\$11,887,125</u>	<u>\$14,675,157</u>	<u>\$6,097,963</u>	<u>\$36,142,527</u>	<u>\$2,855,777</u>
<u>\$11,887,125</u>	<u>\$14,675,157</u>	<u>\$6,097,963</u>	<u>\$38,927,030</u>	<u>\$2,855,777</u>
<u>\$23,574,551</u>	<u>\$22,415,339</u>	<u>\$8,490,063</u>	<u>\$66,614,960</u>	<u>\$5,671,596</u>
\$4,244	\$6,112	\$274	\$18,012	
84,980	99,233	16,208	467,727	56,340
<u>\$89,224</u>	<u>\$105,345</u>	<u>\$16,482</u>	<u>\$485,739</u>	<u>\$56,340</u>

(Continued)

CITY OF FERGUS FALLS, MINNESOTA
Statement of Net Position
Proprietary Funds
December 31, 2023

	Business-type Activities- Enterprise Funds	
	Waste Management	Liquor Store
LIABILITIES		
Current liabilities:		
Accounts payable	\$18,637	\$204,825
Accrued salaries payable	18,202	15,496
Compensated absences	77,465	31,866
Intergovernmental payable	105,508	75
Due to other funds	48,578	1,497
Revenue bonds payable	125,000	
Interest payable	4,006	
Unearned revenue		10,646
OPEB liability	2,503	1,195
Estimated liability for landfill closure/postclosure	50,000	
	<u>\$449,899</u>	<u>\$265,600</u>
Total current liabilities		
Noncurrent liabilities:		
Revenue bonds payable, net of premiums	\$1,550,341	
Compensated absences	44,719	30,621
OPEB liability	35,661	17,022
Net pension liability	533,059	457,981
Estimated liability for landfill closure/postclosure	636,960	
	<u>\$2,800,740</u>	<u>\$505,624</u>
Total noncurrent liabilities		
	<u>\$3,250,639</u>	<u>\$771,224</u>
Total liabilities		
DEFERRED INFLOWS OF RESOURCES		
OPEB	\$18,269	\$8,720
Pensions	172,234	147,976
	<u>\$190,503</u>	<u>\$156,696</u>
Total deferred inflows of resources		
NET POSITION		
Net investment in capital assets	\$833,787	\$973,154
Restricted for:		
Landfill closure/postclosure	2,097,543	
Unrestricted	1,690,794	2,445,355
	<u>\$4,622,124</u>	<u>\$3,418,509</u>
Total net position		

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	
\$31,002	\$13,285	\$44,488	\$312,237	\$38,392
10,088	15,648	1,257	60,691	6,678
46,021	63,948	3,286	222,586	17,900
	11,923		117,506	761
308,959	571,303	127,572	1,057,909	219,422
	240,000	35,000	400,000	
	21,445	8,599	34,050	
	480		11,126	4,393
2,126	3,062	137	9,023	
			50,000	
<u>\$398,196</u>	<u>\$941,094</u>	<u>\$220,339</u>	<u>\$2,275,128</u>	<u>\$287,546</u>
	\$1,696,395	\$573,471	\$3,820,207	
62,653	95,222	1,578	234,793	19,869
30,291	43,622	1,954	128,550	
315,064	367,907	60,092	1,734,103	208,879
			636,960	
<u>\$408,008</u>	<u>\$2,203,146</u>	<u>\$637,095</u>	<u>\$6,554,613</u>	<u>\$228,748</u>
<u>\$806,204</u>	<u>\$3,144,240</u>	<u>\$857,434</u>	<u>\$8,829,741</u>	<u>\$516,294</u>
\$15,517	\$22,347	\$1,001	\$65,854	
101,799	118,872	19,416	560,297	67,490
<u>\$117,316</u>	<u>\$141,219</u>	<u>\$20,417</u>	<u>\$626,151</u>	<u>\$67,490</u>
\$11,877,350	\$12,738,762	\$5,489,492	\$31,912,545	\$2,855,777
			2,097,543	
10,862,905	6,496,463	2,139,202	23,634,719	2,288,375
<u>\$22,740,255</u>	<u>\$19,235,225</u>	<u>\$7,628,694</u>	<u>\$57,644,807</u>	<u>\$5,144,152</u>
			2,517,125	
			<u>\$60,161,932</u>	

CITY OF FERGUS FALLS, MINNESOTA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2023

	Business-type Activities- Enterprise Funds	
	Waste Management	Liquor Store
OPERATING REVENUES AND GROSS PROFIT		
Sales and charges for services	\$3,756,368	\$7,487,100
Cost of sales		(5,018,472)
	<u>\$3,756,368</u>	<u>\$2,468,628</u>
OPERATING EXPENSES		
Personal service	\$768,861	\$665,325
Employee benefits	380,944	222,286
Supplies	85,397	32,539
Utilities	33,124	65,967
Other	1,820,034	264,630
Depreciation	145,042	40,948
	<u>\$3,233,402</u>	<u>\$1,291,695</u>
Total operating expenses		
	<u>\$522,966</u>	<u>\$1,176,933</u>
Operating income (loss)		
	<u>\$522,966</u>	<u>\$1,176,933</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	\$234,630	\$70,744
Other interest income		
Rent		4,296
Other income	66	589
Gain on disposal of capital assets		
Interest expense	(35,946)	
	<u>\$198,750</u>	<u>\$75,629</u>
Total nonoperating revenues (expenses)		
	<u>\$198,750</u>	<u>\$75,629</u>
Income before contributions and transfers	\$721,716	\$1,252,562
Capital contributions		
Transfers (out)	(323,207)	(704,251)
	<u>(323,207)</u>	<u>(704,251)</u>
Change in net position	\$398,509	\$548,311
Total net position - beginning	<u>\$4,223,615</u>	<u>\$2,870,198</u>
Total net position - ending	<u>\$4,622,124</u>	<u>\$3,418,509</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	
\$2,241,797	\$2,958,578	\$784,129	\$17,227,972 (5,018,472)	\$4,468,869
<u>\$2,241,797</u>	<u>\$2,958,578</u>	<u>\$784,129</u>	<u>\$12,209,500</u>	<u>\$4,468,869</u>
\$452,398	\$539,775	\$93,351	\$2,519,710	\$302,574
197,492	214,626	21,992	1,037,340	114,434
144,078	388,404	9,856	660,274	634,287
170,940	107,059	2,843	379,933	52,013
576,273	375,214	209,743	3,245,894	2,389,066
600,104	549,979	191,746	1,527,819	686,378
<u>\$2,141,285</u>	<u>\$2,175,057</u>	<u>\$529,531</u>	<u>\$9,370,970</u>	<u>\$4,178,752</u>
<u>\$100,512</u>	<u>\$783,521</u>	<u>\$254,598</u>	<u>\$2,838,530</u>	<u>\$290,117</u>
\$538,093	\$339,117	\$103,434	\$1,286,018	\$115,628
	1,337		1,337	
	3,741		8,037	
45,107	1,214	48,317	95,293	8,158
				6,892
	<u>(35,593)</u>	<u>(15,935)</u>	<u>(87,474)</u>	
<u>\$583,200</u>	<u>\$309,816</u>	<u>\$135,816</u>	<u>\$1,303,211</u>	<u>\$130,678</u>
\$683,712	\$1,093,337	\$390,414	\$4,141,741	\$420,795
17,763	25,334	13,759	56,856	
<u>(372,708)</u>	<u>(395,304)</u>	<u>(130,062)</u>	<u>(1,925,532)</u>	<u>(375,505)</u>
\$328,767	\$723,367	\$274,111	\$2,273,065	\$45,290
<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>\$22,740,255</u>	<u>\$19,235,225</u>	<u>\$7,628,694</u>	<u>\$57,644,807</u>	<u>\$5,144,152</u>
			<u>112,196</u>	
			<u>\$2,385,261</u>	

CITY OF FERGUS FALLS, MINNESOTA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2023

	Business-type Activities- Enterprise Funds	
	Waste Management	Liquor Store
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$3,743,152	\$7,487,491
Payments from interfund services provided		
Payments to suppliers	(125,997)	(5,247,439)
Payments to employees	(906,952)	(780,547)
Payments for interfund services used	(693,687)	(102,483)
Other income	66	4,885
Other expenses	(1,436,285)	(264,565)
	<u>\$580,297</u>	<u>\$1,097,342</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(\$322,287)	(\$714,021)
Advances to other funds		
Amount loaned for cash deficit		
Net cash provided (used) by noncapital financing activities	<u>(\$322,287)</u>	<u>(\$714,021)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Sale of capital assets		
Purchase of capital assets		
Repayment of due to other funds		
Principal paid on capital debt	(125,000)	
Interest paid on capital debt	(52,677)	
Net cash provided (used) by capital and related financing activities	<u>(\$177,677)</u>	<u></u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	\$355,823	\$19,754
Purchase of investments		
Interest and dividends received	175,373	48,743
Other interest		
Net cash provided (used) by investing activities	<u>\$531,196</u>	<u>\$68,497</u>
Net increase (decrease) in cash and cash equivalents	<u>\$611,529</u>	<u>\$451,818</u>
Cash and cash equivalents, January 1 (including \$348,232 reported in the restricted accounts)	<u>1,341,396</u>	<u>314,237</u>
Cash and cash equivalents, December 31 (including \$1,284,503 reported in the restricted accounts)	<u>\$1,952,925</u>	<u>\$766,055</u>

Business-type Activities-Enterprise Funds

<u>Sewage Disposal</u>	<u>Water Department</u>	<u>Storm Water</u>	<u>Totals</u>	<u>Governmental Activities-Internal Service Funds</u>
\$2,235,062	\$2,915,958	\$767,607	\$17,149,270	4,478,716
(339,111)	(552,447)	(20,237)	(6,285,231)	(776,074)
(544,258)	(657,843)	(106,503)	(2,996,103)	(344,775)
(274,091)	(154,482)	(135,666)	(1,360,409)	(91,019)
45,107	4,955	48,317	103,330	8,158
<u>(369,275)</u>	<u>(224,759)</u>	<u>(74,765)</u>	<u>(2,369,649)</u>	<u>(2,351,894)</u>
<u>\$753,434</u>	<u>\$1,331,382</u>	<u>\$478,753</u>	<u>\$4,241,208</u>	<u>\$923,112</u>
(366,895)	(385,475)	(127,591)	(\$1,916,269)	(\$156,660)
<u>(685,234)</u>			<u>(685,234)</u>	11,325
<u>(\$1,052,129)</u>	<u>(\$385,475)</u>	<u>(\$127,591)</u>	<u>(\$2,601,503)</u>	<u>(\$145,335)</u>
(92,468)	\$10,076	\$12,444	\$22,520	50,130
(113,514)	(75,726)	(119,516)	(92,468)	(797,088)
	(230,000)	(35,000)	(308,756)	
	<u>(71,201)</u>	<u>(21,525)</u>	<u>(145,403)</u>	
<u>(\$205,982)</u>	<u>(\$366,851)</u>	<u>(\$163,597)</u>	<u>(\$914,107)</u>	<u>(\$746,958)</u>
\$136,569		\$127,138	\$639,284	
	(1,012,992)		(1,012,992)	(275,308)
393,616	245,413	74,219	937,364	89,254
	<u>1,337</u>		<u>1,337</u>	
<u>\$530,185</u>	<u>(\$766,242)</u>	<u>\$201,357</u>	<u>\$564,993</u>	<u>(\$186,054)</u>
\$25,508	(\$187,186)	\$388,922	\$1,290,591	(\$155,235)
<u>2,396,823</u>	<u>1,917,330</u>	<u>366,268</u>	<u>6,336,054</u>	<u>680,318</u>
<u>\$2,422,331</u>	<u>\$1,730,144</u>	<u>\$755,190</u>	<u>\$7,626,645</u>	<u>\$525,083</u>

(Continued)

CITY OF FERGUS FALLS, MINNESOTA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2023

	Business-type Activities- Enterprise Funds	
	Waste Management	Liquor Store
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$522,966	\$1,176,933
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	\$145,042	\$40,948
(Increase) decrease in accounts receivable	(9,114)	
(Increase) decrease in miscellaneous receivable	878	(8)
(Increase) decrease in intergovernmental receivable		
(Increase) decrease in due from other funds	(5,900)	
(Increase) decrease in inventories		(78,634)
(Increase) decrease in prepaid items	23,102	
(Increase) decrease in deferred outflows	74,851	81,087
Increase (decrease) in accounts payable	(7,622)	(53,260)
Increase (decrease) in accrued salaries payable	2,252	(1,989)
Increase (decrease) in compensated absences payable	20,946	14,904
Increase (decrease) in intergovernmental payable	(6,841)	65
Increase (decrease) in total OPEB liability	(3,277)	(255)
Increase (decrease) in net pension liability	(190,086)	(218,683)
Increase (decrease) in estimated liability for landfill closure/postclosure	(95,378)	
Increase (decrease) in due to other funds	(48,750)	1,441
Increase (decrease) in unearned revenues		391
Increase (decrease) in deferred inflows	157,162	129,517
Other income	66	4,885
Total adjustments	\$57,331	(\$79,591)
Net cash provided by operating activities	\$580,297	\$1,097,342
Noncash investing, capital and financing activities:		
Amortization of bond premium	\$16,448	
Amortization of demo cell permit cost	(23,101)	
Capital asset disposals		(8,863)
Capital asset adjustments		
Capital contributions financed through other funds		
Capital contributions financed for other funds		
Change in fair value of investments	55,823	19,754
Acquisition of property and equipment financed through due to other funds	28,703	
Transfers for capital project fund interest	(920)	

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	
\$100,512	\$783,521	\$254,598	\$2,838,530	\$290,117
\$600,104	\$549,979	\$191,746	\$1,527,819	\$686,378
(6,785)	(29,856)	(15,931)	(61,686)	
564	(2,399)		(965)	17,335
1,116	(16,965)	(45,682)	(61,531)	2,940
(1,357)		(591)	(7,848)	8,114
(2,621)	(30,611)		(111,866)	(58,329)
			23,102	(77)
58,656	53,173	9,128	276,895	39,923
(21,566)	(26,368)	36,462	(72,354)	(34,143)
(3,916)	(32,279)	203	(35,729)	(84)
276	10,877	4,864	51,867	13,873
	11,923		5,147	(387)
(10,282)	(11,120)	1,528	(23,406)	
(157,539)	(134,284)	(24,257)	(724,849)	(108,940)
			(95,378)	
58,729	89,116	994	101,530	59
	(600)		(209)	1,733
92,436	112,320	17,374	508,809	56,442
45,107	4,955	48,317	103,330	8,158
\$652,922	\$547,861	\$224,155	\$1,402,678	\$632,995
\$753,434	\$1,331,382	\$478,753	\$4,241,208	\$923,112
	\$33,572	\$4,861	\$54,881	
			(23,101)	
(14,111)	(46,417)		(69,391)	(276,250)
				150,692
17,763	25,334	13,759	56,856	
				(218,845)
136,569	87,008	27,138	326,292	24,692
239,510	444,727	124,107	837,047	
(5,813)	(9,829)	(2,471)	(19,033)	

CITY OF FERGUS FALLS, MINNESOTA
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2023

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$389,175
Interest receivable	1,445
	\$390,620
FIDUCIARY NET POSITION	
Restricted for:	
Other organizations	\$386,461
Resident insurance claims	4,159
	\$390,620
	\$390,620

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, 2023

	Custodial Funds
ADDITIONS	
Insurance escrow proceeds	\$4,159
Investment earnings	18,306
Total additions	\$22,465
DEDUCTIONS	
Economic development	\$1,973
Total deductions	\$1,973
Change in fiduciary net position	\$20,492
Fiduciary net position - beginning	370,128
Fiduciary net position - ending	\$390,620

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

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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.

The City is a lessor for numerous noncancellable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City measures the lease receivable at the present value of the payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date.

Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term in a systematic and rational manner.

Key estimates and judgements include how the City determines (1) the discount rate, (2) lease term, (3) lease receipts, and (4) amortization.

The City determines the discount rate for leases based on the rate included in the lease agreement. If the rate is not stated in the agreement, the City uses its estimated borrowing rate applicable to State and Local Government Securities. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Inventories and prepaid items (Continued)

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, street restoration deposits, cash held in the Port Authority special revenue fund for a Minnesota Department of Employment and Economic Development loan program, and cash held from the State of Minnesota for capital maintenance of the Community Behavioral Health Hospital 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 Statement of Net Position Proprietary Funds.

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.

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

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Lease equipment/lease liabilities

The City recorded lease equipment as a result of implementing GASB Statement No. 87, *Leases*. The lease equipment are initially measured at an amount equal to the initial measurement of the lease liability plus any payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease equipment into service. The lease equipment are amortized on a straight-line basis over the life of the related lease.

Key estimates and judgements related to leases include (1) the discount rate, (2) lease term, (3) lease payments, and (4) amortization.

The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City determines its estimated borrowing rate based on State and Local Government Securities rate. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option the City is reasonable certain to exercise.

The City monitors changes in circumstances that would require a re-measurement of the leases and will remeasure the lease equipment and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liability.

7. 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, 2023. 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

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Deferred outflows/inflows of resources (Continued)

unavailable revenues from four sources: property taxes, special assessments, long-term contract receivable, and lease receivable.

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

8. 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.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. 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.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Long-term obligations (Continued)

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.

11. 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.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Fund balance (Continued)

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.

12. 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 \$189,196 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.

13. 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, 2023

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, G.O. Port Authority

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

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

A. Budgetary information (Continued)

2021A, and G.O. Tax Increment 2022A 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, 2023 as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds:			
Bigwood Event Center	\$274,204	\$367,238	\$93,034
Tax Increment Districts	142,294	148,530	6,236
Debt Service Funds:			
G.O. Sales Tax Revenue 2017A	936,495	939,141	2,646
G.O. Equipment Certificates 2020A	55,500	55,511	11
G.O. Port Authority 2021A	101,553	102,048	495

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

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. In addition, certain restricted funds are held separately from pooled funds in a non-interest bearing checking account and a municipal investor account as discussed below. 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 \$28,102, MN DEED RLF funds of \$150,813 (non-interest bearing checking account) and CBHH reserve funds of \$643,315 (municipal investor account); in addition to Waste Management financial assurance of \$2,784,503. The various restricted assets are included in deposits and investments.

Deposits

Custodial credit risk - deposits: As of December 31, 2023, the City's bank balance of \$810,775 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, 2023, the City's investment of \$194,806 in the Principal Money Market Fund is rated AAA by Standard & Poor's.

As of December 31, 2023, the City had the following investments:

	Investment Maturities (in years)				
	Fair Value	<1	1-5	5-10	>10
U.S. Treasuries	\$5,572,096		\$5,371,562	\$200,534	
U.S. Agencies	18,853,679	493,905	3,250,828	3,683,027	11,425,919
Taxable Municipal - G.O. Bonds	3,968,322	64,651	1,417,104	2,082,491	404,076
Taxable Municipal - Revenue Bonds	612,678		176,653	436,025	
Total	\$29,006,775	\$558,556	\$10,216,147	\$6,402,077	\$11,829,995

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, 2023, the 4M Fund balance of the account was \$14,289,012 with a carrying value of \$13,976,976. 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, 2023:

- Investments of \$5,048,069 are valued using quoted market prices (Level 1 inputs)
- Investments of \$23,958,706 are valued using a matrix pricing model (Level 2 inputs)

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (Continued)

Balance of cash and investments at December 31, 2023, is as follows:

Total investments	\$29,006,775
Brokered mutual fund money market accounts	14,171,782
Change funds	10,530
Total deposits	<u>813,128</u>
TOTAL CASH AND INVESTMENTS	<u>\$44,002,215</u>
(Including cash equivalents)	
Cash and investments - Primary Government	\$43,116,904
Cash and investments - Fiduciary Funds	389,175
Cash and temporary cash investments of component units	<u>496,136</u>
TOTAL CASH AND INVESTMENTS - Reporting Entity	<u>\$44,002,215</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, 2023, as follows:

Cash and cash equivalents - Primary Government	\$12,003,396
Cash and cash equivalents - PEG Access	304,173
Cash and cash equivalents - Fergus Falls Convention and Visitor's Bureau, Inc.	191,963
Cash and cash equivalents - Custodial Funds	389,175
Investments	27,506,775
Restricted assets - cash and cash equivalents	2,106,733
Restricted assets - investments	<u>1,500,000</u>
TOTAL CASH AND INVESTMENTS	<u>\$44,002,215</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 \$11,904 and are pledged to the payment of debt service on the bonds. The original cost of the facility was \$2,813,644. The agreement is recorded as a finance sale and the balance of the long-term contract receivable was \$2,497,500 as of December 31, 2023.

C. Leases receivable

As of December 31, 2023 the City had leases receivable and inflows of resources as follows:

Description of lease	Termination Date	Balance	2023 Inflows of Resources
State of Minnesota - Community Behavioral Health Hospital	April 30, 2036	\$2,405,159	\$215,080
American Tower Corporation - property for cellular communications tower	July 31, 2039	108,870	7,063
Independent School District 544 - DeLagoon Softball Field 5	June 30, 2030	57,247	9,942
Mortenson Outdoor Sign - property for outdoor (billboard) sign placement	Sept 17, 2033	<u>49,445</u>	<u>6,000</u>
Total governmental activities		<u>\$2,620,721</u>	<u>\$238,085</u>

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

C. Leases receivable (Continued)

The Fergus Falls Port Authority leases a building to the State of Minnesota for the operation of the Community Behavioral Health Hospital. The original lease commenced on May 1, 2006 for a term of ten years. The lease has four options to extend and final termination on April 30, 2036. The City considers the likelihood of these options being exercised to be greater than 50.00 percent. The agreement calls for monthly lease payments of \$18,032 - \$18,329 for the years 2024 - 2026. The lease does not include any variable payments or other payments not previously recognized. The lease is measured at the present value of the future minimum lease payments expected to be received during the lease term at a discount rate of 3.25 percent which was the incremental borrowing rate of the City at the implementation of GASB Statement No. 87.

The City leases property to American Tower Corporation for a cellular tower site. The original lease commenced in July 2009 with an initial term of 5 years. The lease has five options to extend for five years each, with final termination on July 31, 2039. The City considers the likelihood of these options being exercised to be greater than 50.00 percent. The agreement calls for monthly lease payments of \$605 in 2024 with an annual increase of 3.00 percent each January 1. The lease does not include any variable payments or other payments not previously recognized. The lease is measured at the present value of the future minimum lease payments expected to be received during the lease term at a discount rate of 3.25 percent which was the incremental borrowing rate of the City at the implementation of GASB Statement No. 87.

The City leases softball field no. 5 within the DeLagoon Park to Independent School District No. 544. The original lease commenced on May 1, 2021 with a 10-year term. The agreement calls for annual lease payments of \$9,942 through 2029 and \$4,168 due on June 30, 2030. The lease does not include any variable payments or other payments not previously recognized. The lease is measured at the present value of the future minimum lease payments expected to be received during the lease term at a discount rate of 3.00 percent which is stated in the lease agreement.

The City leases land adjacent to the municipal landfill to Mortenson Outdoor Sign for the placement of advertising sign structures. The original lease commenced on September 18, 2013 with a 20-year term. The agreement calls for annual lease payments of \$6,000 through 2033. The lease does not include any variable payments or other payments not previously recognized. The lease is measured at the present value of the future minimum lease payments expected to be received during the lease term at a discount rate of 3.25 percent which was the incremental borrowing rate of the City at the implementation of GASB Statement No. 87.

D. Capital assets

Capital asset activity for the year ended December 31, 2023 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	2,358,400	5,450,944	(1,591,739)		6,217,605
Total capital assets, not being depreciated	<u>\$8,777,930</u>	<u>\$5,450,944</u>	<u>(\$1,591,739)</u>		<u>\$12,637,135</u>
Other capital assets:					
Buildings and systems	\$39,756,388	\$1,132,144	(\$93,248)		\$40,795,284
Improvements other than buildings	15,020,559	206,731			15,227,290
Machinery and equipment	19,081,593	965,000	(1,340,469)		18,706,124
Infrastructure	62,912,166	404,923			63,317,089
Lease equipment	139,287	23,040	(22,891)		139,436
Total other capital assets at historical cost	<u>\$136,909,993</u>	<u>\$2,731,838</u>	<u>(\$1,456,608)</u>		<u>\$138,185,223</u>
Less accumulated depreciation for:					
Buildings and systems	\$15,235,687	\$1,054,607	(\$50,011)		\$16,240,283
Improvements other than buildings	4,229,997	569,118			4,799,115
Machinery and equipment	13,579,210	1,169,757	(1,340,469)		13,408,498
Infrastructure	35,900,221	1,198,857			37,099,078
Less accumulated amortization for:					
Lease equipment	24,854	27,169	(4,802)		47,221
Total accumulated depreciation and amortization	<u>\$68,969,969</u>	<u>\$4,019,508</u>	<u>(\$1,395,282)</u>		<u>\$71,594,195</u>
Total other capital assets, net	<u>\$67,940,024</u>	<u>(\$1,287,670)</u>	<u>(\$61,326)</u>		<u>\$66,591,028</u>
Governmental activities capital assets, net	<u>\$76,717,954</u>	<u>\$4,163,274</u>	<u>(\$1,653,065)</u>		<u>\$79,228,163</u>

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital assets (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$565,940				\$565,940
Construction in progress	1,623,351	829,811	(1,563,686)		889,476
Total capital assets, not being depreciated	<u>\$2,189,291</u>	<u>\$829,811</u>	<u>(\$1,563,686)</u>		<u>\$1,455,416</u>
Other capital assets:					
Buildings and systems	\$21,168,186	\$38,699		\$219,077	\$21,425,962
Improvements other than buildings	56,000,674	1,470,367			57,471,041
Machinery and equipment	3,339,190	188,660	(69,391)	(219,077)	3,239,382
Total other capital assets	<u>\$80,508,050</u>	<u>\$1,697,726</u>	<u>(\$69,391)</u>		<u>\$82,136,385</u>
Less accumulated depreciation for:					
Buildings and systems	\$17,401,284	\$308,535		\$89,826	\$17,799,645
Improvements other than buildings	26,614,207	1,092,642			27,706,849
Machinery and equipment	1,975,355	126,642	(69,391)	(89,826)	1,942,780
Total accumulated depreciation	<u>\$45,990,846</u>	<u>\$1,527,819</u>	<u>(\$69,391)</u>		<u>\$47,449,274</u>
Total other capital assets, net	<u>\$34,517,204</u>	<u>\$169,907</u>			<u>\$34,687,111</u>
Business-type activities capital assets, net	<u>\$36,706,495</u>	<u>\$999,718</u>	<u>(\$1,563,686)</u>		<u>\$36,142,527</u>
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	\$60,417	\$1,624			\$62,041
Machinery and equipment	140,477				140,477
Total accumulated depreciation	<u>\$200,894</u>	<u>\$1,624</u>			<u>\$202,518</u>
Component unit - PEG Access other capital assets, net	<u>\$1,624</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.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital assets (Continued)

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

Governmental activities:

General government	\$348,089
Airport	261,114
Public safety	382,843
Streets and highways including depreciation of infrastructure	1,575,989
Culture and recreation	1,340,909
Economic development	105,268
Sanitation	5,296
	<u>5,296</u>

Total depreciation and amortization expense - governmental activities	<u>\$4,019,508</u>
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Business-type activities:

Waste Management	\$145,042
Liquor Store	40,948
Sewage Disposal	600,104
Water Department	549,979
Storm Water	191,746
	<u>191,746</u>

Total depreciation expense - business-type activities	<u>\$1,527,819</u>
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Component unit - PEG Access:

General government	<u>\$1,624</u>
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E. Commitments

The City has active projects as of December 31, 2023. The projects include street and utility improvements, public utility infrastructure, an aquatic center, trail and structure improvements to the riverfront corridor in the downtown area, and an airport fuel system. At year end, the City's commitments are as follows:

Project	Total Contract Amount	Spent-to-date	Remaining Commitment
Street and Utility Improvements:			
Stanton - 5959	\$1,776,867	\$66,172	\$1,710,695
Summt, Linden, Laurel - 5960	1,657,886	225,995	1,431,891
Old Waste Water Treatment Plant Demolition - 9502	643,135		643,135
Aquatic Center - 9504	8,802,658	79,000	8,723,658
Downtown Riverfront Improvements - 9767/9768	7,927,972	7,006,826	921,146
Airport Fuel System - 9348	687,450	622,144	65,306
	<u>687,450</u>	<u>622,144</u>	<u>65,306</u>
Total	<u>\$21,495,968</u>	<u>\$8,000,137</u>	<u>\$13,495,831</u>

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2023, is as follows:

Due to/from other funds:

Payable Fund	Receivable Fund				Payable Fund Sub Total
	General	Operations	Other Governmental Funds	Waste Management	
General		\$240,713	\$83,713		\$324,426
Port Authority	29	1,261,930			1,261,959
Operations					
Other Govt Funds	2,369				2,369
Waste Management	200	47,887			48,087
Liquor Store	1,497				1,497
Sewage Disposal	114	308,845			308,959
Water Department	382	543,987		10,025	554,394
Storm Water		127,572			127,572
Internal Service	577		218,845		219,422
Total	\$5,168	\$2,530,934	\$302,558	\$10,025	\$2,848,685

Payable Fund	Receivable Fund				Payable Fund Total
	Payable Fund Sub Total	Sewage Disposal	Storm Water	Internal Service	
General	\$324,426			\$439	\$324,865
Port Authority	1,261,959				1,261,959
Operations		2,178,606			2,178,606
Other Govt Funds	2,369	795,952			798,321
Waste Management	48,087	491			48,578
Liquor Store	1,497				1,497
Sewage Disposal	308,959				308,959
Water Department	554,394	7,574	9,335		571,303
Storm Water	127,572				127,572
Internal Service	219,422				219,422
Total	\$2,848,685	\$2,982,623	\$9,335	\$439	\$5,841,082

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 (\$2,178,606) and between the Airport Capital Improvement capital projects fund and the Sewage Disposal fund (\$795,952). The Port Authority owes the Operations capital projects fund for costs related to the Dairy Site cleanup (\$1,261,542). The other balances between funds are for reimbursements of operating and capital expenditures.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

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

Advances to/from other funds:

Payable Fund	Receivable Fund	Purpose
	Internal Service	
General	\$36,056	Funding for purchase of golf course equipment

Interfund transfers:

Transfer Out	Transfer In	Amount	Purpose
General	Operations	\$873,030	Capital funding
General	Other Govt Funds	168,963	Operations and capital funding
Port Authority	Other Govt Funds	86,793	Debt service funding
Operations	Other Govt Funds	737,856	Capital & debt service funding
Other Govt Funds	General	789,101	Operations funding and close fund
Other Govt Funds	Operations	235	Close fund
Other Govt Funds	Other Govt Funds	732,000	Debt service funding & economic development
Waste Management	General	322,287	Operations and capital funding
Waste Management	Operations	920	Capital funding
Liquor Store	General	704,251	Operations and capital funding
Sewage Disposal	General	342,831	Operations and capital funding
Sewage Disposal	Operations	29,877	Capital funding
Water Department	General	310,565	Operations and capital funding
Water Department	Operations	84,739	Capital funding
Storm Water	General	100,950	Operations and capital funding
Storm Water	Operations	29,112	Capital funding
Internal Service	General	156,660	Operations and capital funding
Internal Service	Other Govt Funds	218,845	Capital funding
		<u>\$5,689,015</u>	
Total			

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

G. Fund Balances

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Capital Projects Operations</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Port Authority</u>	<u>G.O. Port Authority 2019A</u>			
Nonspendable:						
Inventories	\$129,854				\$2,200	\$132,054
Prepaid items	91,220				5,379	96,599
Permanent fund principal					14,301	14,301
Restricted for:						
Canine program	3,253					3,253
CBHH capital maintenance		597,994				597,994
CBHH operations		28,673				28,673
Community Ice Arena	409,840					409,840
Dairy DEED Revolving Loan		150,813				150,813
Debt service			44,027		242,718	286,745
E & G Noyes Park	433					433
Employee Flexible Benefits	1,767					1,767
Housing programs	100,275					100,275
Infrastructure improvements				127,671		127,671
Library building					405,554	405,554
Library purposes					54,862	54,862
Park improvements					5,702	5,702
Park sales tax funded projects					419,424	419,424
Police forfeitures	126,438					126,438
Police programs	7,065					7,065
Public restrooms	7,876					7,876
Public safety purposes	614,482					614,482
Revolving loans					2,919,626	2,919,626
Street maintenance	508,498					508,498
Tax increment plans					98,501	98,501
Tri-centennial	8,988					8,988
Committed to:						
Airport capital improvements					247,244	247,244
Bigwood Event Center capital maintenance					76,397	76,397
Tax abatement - Dental Specialists					1,109	1,109
Tax abatement - Fergus Care Center					13,953	13,953
Tax abatement - Housing Rebate					12,788	12,788
Tax abatement - Northstar					18,279	18,279
Tax abatement - Platte Properties					3,738	3,738
Tax abatement - Westridge Mall					134,403	134,403
Assigned to:						
Bigwood Event Center					45,929	45,929
Capital projects				562,455		562,455
Future capital outlay	1,366,955				153,475	1,520,430
Library operations					417,475	417,475
Park improvements					14,746	14,746
Port Authority operations		2,824,620				2,824,620
Regional Treatment Center	304					304
Revolving loans/ development projects					1,948,727	1,948,727
Snow removal	105,228					105,228
Unassigned	6,580,769					6,580,769
Total fund balances	\$10,063,245	\$3,602,100	\$44,027	\$690,126	\$7,256,530	\$21,656,028

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

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 constructed a new landfill (permit SW 572) from 2011 - 2012. As of December 31, 2023, 9.93 percent of the total capacity of the new site (permit SW 572) had been used. Permit SW 572 has an estimated 73 years of useful life remaining. The total estimated liability for landfill closure/postclosure costs of the two sites is as follows at December 31, 2023:

Municipal Solid Waste Landfill (SW 184)	
Estimated postclosure costs	\$539,022
Municipal Solid Waste Landfill (SW 572)	
Estimated closure/postclosure costs	147,938
	\$686,960

Remaining closure/postclosure costs for the demolition debris cell are estimated to be \$920,062 at December 31, 2023. 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, 2023, funds of \$2,784,503 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, 2023

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. 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, 2023

<u>Purpose</u>	<u>Original Issue</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Balance</u>
Governmental activities				
Capital Improvement	\$3,955,000	2024-2032	2.00-4.00	\$3,060,000
Equipment Certificates	400,000	2024-2029	2.00-4.00	290,000
Improvement	2,105,000	2024-2035	3.00-5.00	1,300,000
Port Authority	7,244,860	2024-2049	0.00-5.00	6,834,320
Tax Increment	1,670,000	2029-2048	2.80-4.00	1,670,000
Total governmental activities				<u>\$13,154,320</u>
Business-type activities				
G.O. Revenue Bonds	\$5,100,000	2024-2038	2.00-5.00	<u>\$3,925,000</u>
Total general obligation bonds				<u>\$17,079,320</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>
2024	\$887,650	\$389,882	\$400,000	\$131,094
2025	927,650	365,722	425,000	116,756
2026	1,007,650	330,742	400,000	98,881
2027	1,057,650	293,143	275,000	82,081
2028	907,650	260,102	290,000	70,756
2029-2033	3,838,253	966,359	1,400,000	219,513
2034-2038	2,172,817	561,386	735,000	49,157
2039-2043	1,135,000	295,325		
2044-2048	1,080,000	114,450		
2049	140,000	2,100		
Total	<u>\$13,154,320</u>	<u>\$3,579,211</u>	<u>\$3,925,000</u>	<u>\$768,238</u>

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

NOTE 5 - LONG-TERM DEBT (Continued)

A. General obligation bonds (Continued)

The Fergus Falls Port Authority issued \$2,015,000 General Obligation (G.O.) Bonds, Series 2023A, dated August 17, 2023. The bonds were issued to finance the phase two improvements to the downtown riverfront corridor. The improvements included a splash pad, plaza area, continuation of the riverfront trail, and public restrooms. The City pledged its full faith and credit 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	\$46,582
Copier equipment (City Hall) - Marco	11,249	2025	3.25	5,280
Copier equipment (Police Dept.) - Marco	19,116	2027	3.25	15,234
Printers (City Hall/Arena) - Marco	10,821	2027	3.25	7,231
Copier equipment (Public Library) - Liberty	23,040	2028	3.75	20,211
Total governmental activities				<u>\$94,538</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>
2024	\$28,388	\$2,743
2025	28,257	1,789
2026	26,995	878
2027	9,224	227
2028	1,674	13
Total	<u>\$94,538</u>	<u>\$5,650</u>

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

NOTE 5 - LONG-TERM DEBT (Continued)

C. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
G.O. Capital Improvement	\$3,370,000		\$310,000	\$3,060,000	\$320,000
G.O. Equipment Certificates	335,000		45,000	290,000	45,000
G.O. Sales Tax Revenue Bonds	900,000		900,000		
G.O. Improvement	1,585,000		285,000	1,300,000	285,000
Port Authority	4,984,547	2,070,183	220,410	6,834,320	237,650
Tax Increment	1,670,000			1,670,000	
Bond premium	753,466	138,471	142,449	749,488	
USDA loan payable	36,447		36,447		
Lease liability	115,909	23,040	44,411	94,538	28,388
Compensated absences	1,443,578	696,914	691,559	1,448,933	743,333
Governmental activity					
Long-term liabilities	<u>\$15,193,947</u>	<u>\$2,928,608</u>	<u>\$2,675,276</u>	<u>\$15,447,279</u>	<u>\$1,659,371</u>
Business-type activities:					
Bonds payable:					
G.O. Revenue Bonds	\$4,315,000		\$390,000	\$3,925,000	\$400,000
G.O. Revenue Bonds Premium	350,088		54,881	295,207	
Compensated absences	405,512	265,705	213,838	457,379	222,586
Liability for landfill closure/postclosure	782,338		95,378	686,960	50,000
Business-type activities					
Long-term liabilities	<u>\$5,852,938</u>	<u>\$265,705</u>	<u>\$754,097</u>	<u>\$5,364,546</u>	<u>\$672,586</u>
Component unit - PEG Access:					
Compensated absences	<u>\$9,296</u>	<u>\$4,770</u>	<u>\$2,843</u>	<u>\$11,223</u>	<u>\$4,168</u>
Component unit - FF CVB:					
Compensated absences	<u>\$373</u>	<u>\$3,871</u>		<u>\$4,244</u>	<u>\$3,416</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 \$37,769 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, 2023 there were eight issues outstanding with a total principal amount payable of \$35,278,105.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

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, 2023, premiums for liability and property coverage totaled \$178,953 and \$240,263, 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 2023 was \$8,169.

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 \$5,000 deductible premium option for workers' compensation to minimize premium increases. The cost to the City for workers' compensation for the year ended December 31, 2023, was \$523,308.

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 2023, 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, 2023, 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, 2023

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, 2023 was \$1,582,324 [PERA \$670,588, PEPFF \$938,833, DCP \$3,375 and the Fergus Falls Fire Department Relief Association (\$30,472)]. 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, 2023

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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

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, 2023

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 2023 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, 2023, were \$503,531. 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 2023 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, 2023, were \$430,473. 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, 2023

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, 2023, the City of Fergus Falls reported a liability of \$4,697,186 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 \$129,462.

The net pension liability was measured as of June 30, 2023, 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, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA’s participating employers. The City of Fergus Falls’ proportionate share was .0840 percent at the end of the measurement period and .0825 percent for the beginning of the period.

City of Fergus Falls’ proportionate share of the net pension liability	\$4,697,186
State of Minnesota’s proportionate share of the net pension liability associated with the City of Fergus Falls	129,462
Total	\$4,826,648

For the year ended December 31, 2023, the City of Fergus Falls recognized pension expense of \$670,588 for its proportionate share of the General Employee Retirement Plan’s pension expense. In addition, the City of Fergus Falls recognized an additional \$582 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, 2023

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, 2023, 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	\$153,595	\$31,009
Changes in actuarial assumptions	729,446	1,287,458
Net difference between projected and actual investment earnings		136,265
Changes in proportion	131,804	62,952
Contributions paid to PERA subsequent to the measurement date	252,094	
Total	\$1,266,939	\$1,517,684

The \$252,094 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, 2024. 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
2024	\$99,415
2025	(628,983)
2026	128,627
2027	(101,898)
Total	(\$502,839)

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

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, 2023, the City of Fergus Falls reported a liability of \$3,272,419 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA’s participating employers. The City of Fergus Falls’ proportionate share was .1895 percent at the end of the measurement period and .1875 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, 2023. The contribution consisted of \$9 million in direct state aid that meets 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, 2022. 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’s proportionate share of the net pension liability associated with the City of Fergus Falls totaled \$131,793.

City of Fergus Falls’ proportionate share of the net pension liability	\$3,272,419
State of Minnesota’s proportionate share of the net pension liability associated with the City of Fergus Falls	131,793
Total	\$3,404,212

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

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 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, 2023, the City of Fergus Falls recognized pension expense of \$938,833 for its proportionate share of the Police and Fire Plan’s pension expense. Included in this amount, the City of Fergus Falls recognized (\$7,938) 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.

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 \$17,055 for the year ended December 31, 2023 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, 2023, 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	\$896,106	
Changes in actuarial assumptions	3,725,304	4,601,668
Net difference between projected and actual investment earnings		118,101
Changes in proportion	115,013	84,662
Contributions paid to PERA subsequent to the measurement date	206,600	
Total	\$4,943,023	\$4,804,431

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

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 \$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, 2024. 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
2024	\$149,753
2025	22,744
2026	762,205
2027	(205,306)
2028	(797,404)
Total	(\$68,008)

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%	

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

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)

The total pension liability in the June 30, 2023 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 7.00 percent. This 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 7.00 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 the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 1.00 percent for the Police and Fire Plan.

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 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 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.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

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)

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees fund:

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

Changes in plan provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024 was eliminated.
- A one-time, non-compounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Police and Fire fund:

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate was changed from 5.40 percent to 7.00 percent.

Changes in plan provisions:

- Additional one-time direct state aid contribution of \$19.4 million will be contributed to the Plan on October 1, 2023.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

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

f. Actuarial methods and assumptions (Continued)

- The vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50.00 percent vesting after five years, increasing incrementally to 100.00 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member’s occupation.
- The total and permanent duty disability benefit was increases, effective July 1, 2023.

g. Discount rate

The discount rate used to measure the total pension liability in 2023 was 7.00 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 position of the General Employees Plan and the Police and Fire Plan were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected payments to determine the total pension liability.

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	6.00%	\$8,309,699	6.00%	\$6,492,869
Current Discount Rate	7.00%	4,697,186	7.00%	3,272,419
1.00% Higher	8.00%	1,725,756	8.00%	624,778

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

1. Defined contribution plan (Continued)

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.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. 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 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.

Total contributions made by the City of Fergus Falls during fiscal year 2023 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$3,375	\$3,375	5.00%	5.00%	5.00%

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

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 \$5,900 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 \$5,900 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 \$5,900 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, 2023, the following volunteers were covered by the benefit terms:

Vested terminated and transfers	11
Active	<u>35</u>
	46

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

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)

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 \$120,980 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, 2023, 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, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases are included at 2.50 percent and the long-term investment rate of return is 6.25 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 discount rate used to measure the total pension liability was 6.25 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.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

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

Changes in plan provisions

The benefit level changed from \$5,850 to \$5,900 per year of active service.

Assumption changes

The discount rate changed from 5.50 percent to 6.25 percent

2. Changes in the net pension liability

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balances at January 1, 2022 plan year	\$2,016,679	\$3,856,845	(\$1,840,166)
Changes from the prior year:			
Service cost	\$94,275		\$94,275
Interest cost	106,380		106,380
Assumption changes	(49,286)		(49,286)
Plan changes	86,331		86,331
Non-employer contributions		111,648	(111,648)
Projected investment return		205,295	(205,295)
Gain or loss	(80,018)	(859,836)	779,818
Benefit payments	(353,559)	(353,559)	
Administrative expenses		(6,501)	6,501
Total net changes	<u>(\$195,877)</u>	<u>(\$902,953)</u>	<u>\$707,076</u>
Balances at December 31, 2022 plan year	<u>\$1,820,802</u>	<u>\$2,953,892</u>	<u>(\$1,133,090)</u>

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

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)

3. 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 6.25 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 (5.25 percent) or 1 percentage point higher (7.25 percent) than the current rate:

	1% Decrease (5.25%)	Current Rate (6.25%)	1% Increase (7.25%)
City's net pension liability/(asset)	(\$1,063,601)	(\$1,133,090)	(\$1,199,898)
	(\$1,063,601)	(\$1,133,090)	(\$1,199,898)

4. 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, 2023, the City recognized pension expense of (\$30,472). At December 31, 2023, 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	\$124,980	
Investment losses	343,172	
Liability gains		115,138
Assumption changes		54,405
Total deferred outflows/inflows of resources	\$468,152	\$169,543

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

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)

- f. Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (Continued)

The \$124,980 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	
2024	(\$44,368)
2025	39,613
2026	103,079
2027	154,262
2028	(17,702)
Thereafter	<u>(61,255)</u>
Total	<u><u>\$173,629</u></u>

- g. Payable to the pension plan

At December 31, 2023, 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.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

NOTE 6 – OTHER INFORMATION (Continued)

D. Other employee benefits (Continued)

Expenditures for health insurance premiums recognized in the various funds for the year ended December 31, 2023, totaled \$1,987,276.

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, 2023, totaled \$10,703.

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 2023, the City had the following participation:

	No. Employees Who Elected Benefit	Total Dollar Amount Reclassified
Health Insurance premiums	18	\$70,746
Variable expenses:		
Dependent care assistance (DCA)	4	13,100
Out-of-pocket (Health FSA)	22	40,275
Total Election		\$124,121

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.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

NOTE 6 – OTHER INFORMATION (Continued)

E. Postemployment healthcare plan (Continued)

2. Benefits provided

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

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 2023, the city contributed \$37,609 to the plan.

4. Members

As of January 1, 2023, there were approximately 124 active employees and 5 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, 2023 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	4.00 percent
20-year municipal bond yield	4.00 percent
Salary increases	Based on PERA experience studies
Inflation	2.50 percent
Medical trend rate	6.50 percent as of January 1, 2023, grading to 5.00 percent over 6 years and then to 4.00 percent over the next 48 years
Mortality assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale

The actuarial assumptions used in the January 1, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2022 – December 31, 2022.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

NOTE 6 – OTHER INFORMATION (Continued)

E. Postemployment healthcare plan (Continued)

6. Total OPEB Liability

The City’s total OPEB liability of \$573,392 was measured as of January 1, 2023 and was determined by an actuarial valuation as of January 1, 2023.

Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balances at January 1, 2023	<u>\$734,046</u>
Changes for the year	
Service cost	38,553
Interest cost	15,045
Assumption changes	(72,356)
Plan changes	12,534
Differences between expected and actual experience	(113,570)
Benefit payments	<u>(40,860)</u>
Net changes	<u>(160,654)</u>
Balances at December 31, 2023	<u><u>\$573,392</u></u>

Benefit Changes:

- For fiscal year ending December 31, 2022: An early retirement incentive was offered to one employee that requires the City to pay for their medical premiums through April 30, 2023.
- None for the fiscal year ending December 31, 2023.

Assumption Changes:

- For the fiscal year ending December 31, 2023:
 - The health care trend rates and mortality tables were updated.
 - The retirement, withdrawal, and salary increase rates for public employees were updated.
 - The inflation rate was changed from 2.00 percent to 2.50 percent.
 - The discount rate was changed from 2.00 percent to 4.00 percent.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

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 4.00 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 (3.00 percent)	Current (4.00 percent)	1.00 percent increase (5.00 percent)
\$617,782	\$573,392	\$532,071

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 (5.50 percent decreasing to 4.00 percent then 3.00 percent)	Current (6.50 percent decreasing to 5.00 percent then 4.00 percent)	1.00 percent increase (7.50 percent decreasing to 6.00 percent then 5.00 percent)
\$514,786	\$573,392	\$642,371

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

For the year ended December 31, 2023, the City recognized OPEB expense of \$21,633. At December 31, 2023, 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, 2023

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	\$37,609	
Liability gains		206,848
Liability losses	11,498	
Assumption changes	<u>25,961</u>	<u>67,625</u>
Total	<u><u>\$75,068</u></u>	<u><u>\$274,473</u></u>

The \$37,609 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, 2024. 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>
2024	(\$44,501)
2025	(44,504)
2026	(47,448)
2027	(47,445)
2028	(26,562)
2029	<u>(26,554)</u>
Total	<u><u>(\$237,014)</u></u>

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

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 was completed in 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, 2023

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 is 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 tax abatement agreement was assigned to NBH Fergus Falls, LLC on March 20, 2023.

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 is used for a large scale, multi-specialty dental facility. 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, 2023, the City generated \$127,010 in tax increment from the Tax Increment districts and made \$120,808 in payments to the developers.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2023

NOTE 6 – OTHER INFORMATION (Continued)

I. Subsequent event

During April 2024, the City entered into a purchase agreement in the amount of \$950,000 for the purchase of property located at 810 Stanton Avenue West. The City was also awarded a grant from the State of Minnesota in the amount of \$640,000 to be used toward the purchase of this property. The City also accepted a letter of intent from a developer for the purchase from the City and construction of a 60-unit, multi-housing project to be located on the site.

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REQUIRED SUPPLEMENTARY INFORMATION

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>
Total OPEB Liability			
Service cost	\$43,116	\$38,498	\$39,653
Interest cost	24,726	25,624	31,189
Assumption changes		(19,627)	
Plan changes			
Differences between expected and actual experience		40,253	
Benefit payments	<u>(34,114)</u>	<u>(37,980)</u>	<u>(45,352)</u>
Net change in total OPEB liability	<u>\$33,728</u>	<u>\$46,768</u>	<u>\$25,490</u>
Beginning of year	<u>\$723,086</u>	<u>\$756,814</u>	<u>\$803,582</u>
End of year	<u><u>\$756,814</u></u>	<u><u>\$803,582</u></u>	<u><u>\$829,072</u></u>
Covered-employee payroll	\$7,585,733	\$7,894,102	\$8,130,925
Total OPEB liability as a percentage of covered-employee payroll	9.98%	10.18%	10.20%

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.

<u>12/31/2021</u>	<u>12/31/2022</u>	<u>12/31/2023</u>
\$48,484	\$49,939	\$38,553
32,300	14,894	15,045
45,435		(72,356)
11,935		12,534
(191,634)		(113,570)
<u>(55,611)</u>	<u>(50,768)</u>	<u>(40,860)</u>
<u>(\$109,091)</u>	<u>\$14,065</u>	<u>(\$160,654)</u>
<u>\$829,072</u>	<u>\$719,981</u>	<u>\$734,046</u>
<u><u>\$719,981</u></u>	<u><u>\$734,046</u></u>	<u><u>\$573,392</u></u>
\$7,674,286	\$7,904,915	\$8,599,672
9.38%	9.29%	6.67%

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

<u>For Fiscal Year Ended June 30,</u>	<u>City's Proportion of the Net Pension Liability (Asset)</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>State's Proportionate Share of the Net Pension Liability Associated with the City</u>	<u>City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City</u>	<u>City's Covered Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
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%
2023	0.0840%	4,697,186	129,462	4,826,648	6,680,813	70.31%	83.10%

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

<u>For Fiscal Year Ended June 30,</u>	<u>City's Proportion of the Net Pension Liability (Asset)</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>State's Proportionate Share of the Net Pension Liability Associated with the City</u>	<u>City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City</u>	<u>City's Covered Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
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%
2023	0.1895%	3,272,419	131,793	3,404,212	2,488,158	131.52%	86.50%

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%
2023	503,531	503,531		6,713,747	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%
2023	430,473	430,473		2,432,052	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.

See notes to required supplementary information.

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	Measurement Date 12/31/2022
\$73,867	\$79,156	\$85,297	\$91,890	\$91,976	\$94,275
83,169	79,126	80,407	91,689	105,135	106,380
					(49,286)
66,621	68,603	64,905	98,206		86,331
	(50,879)		(5,306)		(80,018)
(287,183)	(317,708)		(64,173)		(353,559)
<u>(\$63,526)</u>	<u>(\$141,702)</u>	<u>\$230,609</u>	<u>\$212,306</u>	<u>\$197,111</u>	<u>(\$195,877)</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>	<u>\$2,016,679</u>
\$1,518,355	\$1,376,653	\$1,607,262	\$1,819,568	\$2,016,679	\$1,820,802
\$93,829	\$94,564	\$102,267	\$100,962	\$106,280	\$111,648
129,401	134,201	127,557	155,649	185,187	205,295
172,352	(186,802)	321,023	317,320	255,943	(859,836)
(287,183)	(317,708)		(64,173)		(353,559)
(5,680)	(6,780)	(8,736)	(5,970)	(8,925)	(6,501)
<u>\$102,719</u>	<u>(\$282,525)</u>	<u>\$542,111</u>	<u>\$503,788</u>	<u>\$538,485</u>	<u>(\$902,953)</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>	<u>\$3,856,845</u>
\$2,554,986	\$2,272,461	\$2,814,572	\$3,318,360	\$3,856,845	\$2,953,892
<u>(\$1,036,631)</u>	<u>(\$895,808)</u>	<u>(\$1,207,310)</u>	<u>(\$1,498,792)</u>	<u>(\$1,840,166)</u>	<u>(\$1,133,090)</u>
168.27%	165.07%	175.12%	182.37%	191.25%	162.23%

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

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

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>	<u>12/31/2023</u>
\$0	\$0	\$0	\$0	\$0	\$0
<u>\$0</u>	<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>	<u>\$124,980</u>

CITY OF FERGUS FALLS, MINNESOTA
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND

2023 Changes

The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

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.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Required Supplementary Information

- 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.

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.
- Annual 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.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Required Supplementary Information

- 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.

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.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Required Supplementary Information

POLICE AND FIRE FUND

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 6.5 percent to 7.00 percent.
- The single discount rate changed from 5.4 percent to 7.0 percent.

Changes in Plan Provisions

- Additional one-time direct state aid contribution of \$19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase to 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

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.
- 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.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Required Supplementary Information

- 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 morality 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

- Annual 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.
- 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.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Required Supplementary Information

- 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.

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.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Required Supplementary Information

VOLUNTEER FIRE FIGHTER'S RELIEF ASSOCIATION

2023 Changes

Changes in Plan Provisions

- The benefit level changed from \$5,850 to \$5,900 per year of active service.

Changes in Actuarial Assumptions

- The discount rate changed from 5.50 percent to 6.25 percent.

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.

2023 Changes

Benefit Changes

- For the fiscal year ending December 31, 2022: An Early Retirement Incentive was offered to one employee that requires the city to pay for their medical premiums through April 30, 2023

Changes in Actuarial Assumptions

- The health care trend rates and mortality tables were updated.
- The retirement, withdrawal, and salary increase rates for public safety employees were updated.
- The inflation rate was changed from 2.00% to 2.50%.
- The discount rate was changed from 2.00% to 4.00%

2022 Changes

None

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.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Required Supplementary Information

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, 2023

	Special Revenue		
	Public Library	Bigwood Event Center	Revolving Loan
ASSETS			
Cash and cash equivalents	\$652,441	\$73,490	\$545,142
Restricted cash - customer deposits		12,600	
Investments	350,000		1,400,000
Receivables:			
Taxes	26,150		
Notes and contracts			2,217,114
Intergovernmental	23,346		
Other	9,636	24,206	713,269
Due from other funds		83,713	
Inventories		2,200	
Prepaid items	5,379		
	\$1,066,952	\$196,209	\$4,875,525
Total assets			
LIABILITIES			
Accounts payable	\$21,456	\$57,180	\$6,725
Accrued salaries payable	13,532	1,736	402
Retainage payable			
Intergovernmental payable		12	
Due to other funds	1,890	155	45
Advances from other funds			
Interest payable			
Unearned revenue	5,000		
Customer deposits		12,600	
	\$41,878	\$71,683	\$7,172
Total liabilities			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property tax	\$21,008		
	\$21,008		
FUND BALANCES			
Nonspendable	\$5,379	\$2,200	
Restricted	427,737		2,919,626
Committed		76,397	
Assigned	570,950	45,929	1,948,727
	\$1,004,066	\$124,526	\$4,868,353
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	\$1,066,952	\$196,209	\$4,875,525

Special Revenue

Port Authority Tax Increment Districts	Tax Increment Districts	Tax Abatement	Park Projects Sales Tax	Total
\$37,556	\$65,221 4,658	\$183,036	\$94,838	\$1,651,724 17,258 1,750,000
		3,261	347,906	377,317 2,217,114 23,346
141	1,462	687	356	749,757 83,713 2,200 5,379
<u>\$37,697</u>	<u>\$71,341</u>	<u>\$186,984</u>	<u>\$443,100</u>	<u>\$6,877,808</u>
	\$5,600	\$114		\$91,075 15,670
	279		23,676	23,688 2,369
	4,658			5,000 17,258
	<u>\$10,537</u>	<u>\$114</u>	<u>\$23,676</u>	<u>\$155,060</u>
		\$2,600		\$23,608
37,697	60,804	184,270	419,424	\$7,579 3,865,288 260,667 2,565,606
<u>\$37,697</u>	<u>\$60,804</u>	<u>\$184,270</u>	<u>\$419,424</u>	<u>\$6,699,140</u>
<u>\$37,697</u>	<u>\$71,341</u>	<u>\$186,984</u>	<u>\$443,100</u>	<u>\$6,877,808</u> (Continued)

CITY OF FERGUS FALLS, MINNESOTA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2023

	Debt Service			
	Permanent Improvement Revolving	G.O. Capital Improvement 2010A	G.O. Capital Improvement 2012C	G.O. Equip. Certificates 2020A
ASSETS				
Cash and cash equivalents	\$1,595	\$1,267	\$24,641	\$5,313
Restricted cash - customer deposits				
Investments				
Receivables:				
Taxes		1,866	10,488	1,712
Notes and contracts				
Intergovernmental				
Other	6	6	92	19
Due from other funds				
Inventories				
Prepaid items				
Total assets	\$1,601	\$3,139	\$35,221	\$7,044
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		\$1,502	\$8,437	\$1,367
FUND BALANCES				
Nonspendable				
Restricted	1,601	1,637	26,784	5,677
Committed				
Assigned				
Total fund balances	\$1,601	\$1,637	\$26,784	\$5,677
Total liabilities, deferred inflows of resources, and fund balances	\$1,601	\$3,139	\$35,221	\$7,044

(Continued)

Debt Service

G.O. Port Authority 2020A	G.O. Port Authority 2020B	G.O. Port Authority 2021A	G.O. Tax Increment 2022A	Total
\$733	\$793	\$112,101	\$91,945	\$238,388
		3,311		17,377
3	3	421	345	895
<u>\$736</u>	<u>\$796</u>	<u>\$115,833</u>	<u>\$92,290</u>	<u>\$256,660</u>
		\$2,636		\$13,942
736	796	113,197	92,290	242,718
<u>\$736</u>	<u>\$796</u>	<u>\$113,197</u>	<u>\$92,290</u>	<u>\$242,718</u>
<u>\$736</u>	<u>\$796</u>	<u>\$115,833</u>	<u>\$92,290</u>	<u>\$256,660</u>

(Continued)

CITY OF FERGUS FALLS, MINNESOTA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2023

	<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	\$20,372		\$20,372	\$1,752	\$2,674	\$3,482
Restricted cash - customer deposits						
Investments						
Receivables:						
Taxes		1,238	1,238			
Notes and contracts						
Intergovernmental		1,209,435	1,209,435			
Other	76		76	6	10	13
Due from other funds		218,845	218,845			
Inventories						
Prepaid items						
Total assets	<u>\$20,448</u>	<u>\$1,429,518</u>	<u>\$1,449,966</u>	<u>\$1,758</u>	<u>\$2,684</u>	<u>\$3,495</u>
LIABILITIES						
Accounts payable		\$345,298	\$345,298			
Accrued salaries payable						
Retainage payable		37,041	37,041			
Intergovernmental payable						
Due to other funds		795,952	795,952			
Advances from other funds						
Interest payable		2,988	2,988			
Unearned revenue						
Customer deposits						
Total liabilities		<u>\$1,181,279</u>	<u>\$1,181,279</u>			
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property tax		\$995	\$995			
FUND BALANCES						
Nonspendable				\$531	\$885	\$885
Restricted	5,702		5,702	1,227	1,799	2,610
Committed		247,244	247,244			
Assigned	14,746		14,746			
Total fund balances	<u>\$20,448</u>	<u>\$247,244</u>	<u>\$267,692</u>	<u>\$1,758</u>	<u>\$2,684</u>	<u>\$3,495</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$20,448</u>	<u>\$1,429,518</u>	<u>\$1,449,966</u>	<u>\$1,758</u>	<u>\$2,684</u>	<u>\$3,495</u>

(Continued)

Permanent Funds				
Wheelock Memorial Library Trust	Hilma L. Lundeen Memorial Library Trust	Marguerite R. Patterson Memorial Library Trust	Total	Total Nonmajor Funds
\$4,191	\$3,907	\$30,798	\$46,804	\$1,957,288 17,258 1,750,000
				395,932 2,217,114 1,232,781
16	15	116	176	750,904 302,558 2,200 5,379
<u>\$4,207</u>	<u>\$3,922</u>	<u>\$30,914</u>	<u>\$46,980</u>	<u>\$8,631,414</u>
				\$436,373 15,670 37,041 23,688 798,321
				2,988 5,000 17,258
				<u>\$1,336,339</u>
				<u>\$38,545</u>
\$1,000 3,207	\$1,000 2,922	\$10,000 20,914	\$14,301 32,679	\$21,880 4,146,387 507,911 2,580,352
<u>\$4,207</u>	<u>\$3,922</u>	<u>\$30,914</u>	<u>\$46,980</u>	<u>\$7,256,530</u>
<u>\$4,207</u>	<u>\$3,922</u>	<u>\$30,914</u>	<u>\$46,980</u>	<u>\$8,631,414</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, 2023

	Special Revenue		
	Public Library	Bigwood Event Center	Revolving Loan
REVENUES			
Taxes	\$853,523		
Intergovernmental	95,122		69,736
Charges for services	8,684	92,154	5,517
Fines and forfeits	6,337		
Contributions	48,117		
Investment earnings	50,607	4,221	92,961
Other interest income			61,380
Rent		107,800	
Other	9,727	220	6,018
	<u>\$1,072,117</u>	<u>\$204,395</u>	<u>\$235,612</u>
EXPENDITURES			
Current:			
Airport			
Culture and recreation	880,975	283,525	
Community development			29,529
Economic development			76,642
Debt service:			
Principal	2,829		36,242
Interest	545		364
Other			
Capital outlay	134,608	83,713	
	<u>\$1,018,957</u>	<u>\$367,238</u>	<u>\$142,777</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$53,160</u>	<u>(\$162,843)</u>	<u>\$92,835</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$395,681	\$168,963	
Transfers (out)	(736,530)	(3,396)	
Proceeds from lease issuance	23,040		
Total other financing sources and (uses)	<u>(\$317,809)</u>	<u>\$165,567</u>	
Net change in fund balances	(\$264,649)	\$2,724	\$92,835
Fund balances - beginning	<u>1,268,715</u>	<u>121,802</u>	<u>4,775,518</u>
Fund balances - ending	<u>\$1,004,066</u>	<u>\$124,526</u>	<u>\$4,868,353</u>

Special Revenue

Port Authority Tax Increment Districts	Tax Increment Districts	Tax Abatement	Park Projects Sales Tax	Total
	\$127,010	\$112,173	\$440,906	\$1,533,612
	22,659	17		164,875
				129,014
				6,337
				48,117
1,818	3,780	10,945	2,194	166,526
				61,380
				107,800
				15,965
\$1,818	\$153,449	\$123,135	\$443,100	\$2,233,626
			23,676	1,188,176
		42,535		72,064
	148,530	59,331		284,503
				39,071
				909
				218,321
	\$148,530	\$101,866	\$23,676	\$1,803,044
\$1,818	\$4,919	\$21,269	\$419,424	\$430,582
	\$2,000			\$566,644
(2,000)				(741,926)
				23,040
(\$2,000)	\$2,000			(\$152,242)
(\$182)	\$6,919	\$21,269	\$419,424	\$278,340
37,879	53,885	163,001		6,420,800
\$37,697	\$60,804	\$184,270	\$419,424	\$6,699,140

(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, 2023

Debt Service

	Permanent Improvement Revolving	G.O. Capital Improvement 2010A	G.O. Capital Improvement 2012C	G.O. Sales Tax Revenue 2017A	G.O. Equipment Certificates 2020A
REVENUES					
Taxes		\$59,937	\$337,575		\$58,150
Intergovernmental		9	52		9
Charges for services					
Fines and forfeits					
Contributions					
Investment earnings	(2,210)	(407)	(1,321)	124	(222)
Other interest income					
Rent					
Other					
Total revenues	(\$2,210)	\$59,539	\$336,306	\$124	\$57,937
EXPENDITURES					
Current:					
Airport					
Culture and recreation				3,141	
Community development					
Economic development					
Debt service:					
Principal	285,000	50,000	260,000	900,000	45,000
Interest	54,725	11,600	82,500	36,000	10,500
Other	990				11
Capital outlay					
Total expenditures	\$340,715	\$61,600	\$342,500	\$939,141	\$55,511
Excess (deficiency) of revenues over (under) expenditures	(\$342,925)	(\$2,061)	(\$6,194)	(\$939,017)	\$2,426
OTHER FINANCING SOURCES (USES)					
Transfers in	\$342,175			\$730,000	
Transfers (out)	(235)			(779,175)	
Proceeds from lease issuance					
Total other financing sources and (uses)	\$341,940			(\$49,175)	
Net change in fund balances	(\$985)	(\$2,061)	(\$6,194)	(\$988,192)	\$2,426
Fund balances - beginning	2,586	3,698	32,978	988,192	3,251
Fund balances - ending	\$1,601	\$1,637	\$26,784	\$1,976	\$5,677

(Continued)

Debt Service

<u>G.O. Port Authority 2020A</u>	<u>G.O. Port Authority 2020B</u>	<u>G.O. Port Authority 2021A</u>	<u>G.O. Tax Increment 2022A</u>	<u>Total</u>
		\$114,445 18		\$570,107 88
(136)	116	3,684	5,191	4,819
<u>(\$136)</u>	<u>\$116</u>	<u>\$118,147</u>	<u>\$5,191</u>	<u>\$575,014</u>
				3,141
42,682 10,670	32,671	85,000 16,553 495	57,910 495	1,700,353 280,458 1,991
<u>\$53,352</u>	<u>\$32,671</u>	<u>\$102,048</u>	<u>\$58,405</u>	<u>\$1,985,943</u>
<u>(\$53,488)</u>	<u>(\$32,555)</u>	<u>\$16,099</u>	<u>(\$53,214)</u>	<u>(\$1,410,929)</u>
\$54,122	\$32,671			\$1,158,968 (779,410)
<u>\$54,122</u>	<u>\$32,671</u>			<u>\$379,558</u>
\$634	\$116	\$16,099	(\$53,214)	(\$1,031,371)
<u>102</u>	<u>680</u>	<u>97,098</u>	<u>145,504</u>	<u>1,274,089</u>
<u>\$736</u>	<u>\$796</u>	<u>\$113,197</u>	<u>\$92,290</u>	<u>\$242,718</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, 2023

	<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		\$39,946	\$39,946			
Intergovernmental		1,032,392	1,032,392			
Charges for services						
Fines and forfeits						
Contributions						
Investment earnings	967	(26,235)	(25,268)	83	127	166
Other interest income						
Rent						
Other						
	<u>\$967</u>	<u>\$1,046,103</u>	<u>\$1,047,070</u>	<u>\$83</u>	<u>\$127</u>	<u>\$166</u>
Total revenues						
EXPENDITURES						
Current:						
Airport		\$597,659	\$597,659			
Culture and recreation						
Community development						
Economic development						
Debt service:						
Principal						
Interest						
Other						
Capital outlay		695,473	695,473			
		<u>\$1,293,132</u>	<u>\$1,293,132</u>			
Total expenditures						
Excess (deficiency) of revenues over (under) expenditures	\$967	(\$247,029)	(\$246,062)	\$83	\$127	\$166
OTHER FINANCING SOURCES (USES)						
Transfers in		\$218,845	218,845			
Transfers (out)						
Proceeds from lease issuance						
Total other financing sources and (uses)		\$218,845	\$218,845			
	\$967	(\$28,184)	(\$27,217)	\$83	\$127	\$166
Net change in fund balances						
Fund balances - beginning	19,481	275,428	294,909	1,675	2,557	3,329
Fund balances - ending	<u>\$20,448</u>	<u>\$247,244</u>	<u>\$267,692</u>	<u>\$1,758</u>	<u>\$2,684</u>	<u>\$3,495</u>

(Continued)

Permanent Funds				
Wheelock Memorial Library Trust	Hilma L. Lundeen Memorial Library Trust	Marguerite R. Patterson Memorial Library Trust	Total	Total Nonmajor Funds
				\$2,143,665
				1,197,355
				129,014
				6,337
				48,117
199	185	1,463	2,223	148,300
				61,380
				107,800
				15,965
<u>\$199</u>	<u>\$185</u>	<u>\$1,463</u>	<u>\$2,223</u>	<u>\$3,857,933</u>
				\$597,659
				1,191,317
				72,064
				284,503
				1,739,424
				281,367
				1,991
				913,794
				<u>\$5,082,119</u>
<u>\$199</u>	<u>\$185</u>	<u>\$1,463</u>	<u>\$2,223</u>	<u>(\$1,224,186)</u>
				\$1,944,457
				(1,521,336)
				23,040
				<u>\$446,161</u>
\$199	\$185	\$1,463	\$2,223	(\$778,025)
4,008	3,737	29,451	44,757	8,034,555
<u>\$4,207</u>	<u>\$3,922</u>	<u>\$30,914</u>	<u>\$46,980</u>	<u>\$7,256,530</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, 2023

	<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	\$5,936,350	\$5,936,350	\$5,843,191	(\$93,159)
Lodging tax	140,000	140,000	169,797	29,797
Mobile home tax	4,800	4,800	6,913	2,113
Penalties and interest on taxes	4,000	4,000	6,851	2,851
Total taxes	<u>\$6,085,150</u>	<u>\$6,085,150</u>	<u>\$6,026,752</u>	<u>(\$58,398)</u>
Licenses and permits	222,960	222,960	266,968	44,008
Intergovernmental:				
Federal	\$22,000	\$100,000	\$196,652	\$96,652
State	4,334,448	4,424,914	5,366,326	941,412
Other	93,600	93,600	117,449	23,849
Total intergovernmental	<u>\$4,450,048</u>	<u>\$4,618,514</u>	<u>\$5,680,427</u>	<u>\$1,061,913</u>
Charges for services	973,956	973,956	1,170,920	196,964
Fines and forfeits	59,500	67,772	75,705	7,933
Contributions	5,000	64,500	75,248	10,748
Investment earnings	200,000	200,000	596,739	396,739
Other interest income	2,000	2,000		(2,000)
Rent	46,500	46,500	74,810	28,310
Other	50,000	50,000	49,355	(645)
Total revenues	<u>\$12,095,114</u>	<u>\$12,331,352</u>	<u>\$14,016,924</u>	<u>\$1,685,572</u>
EXPENDITURES				
General government:				
City council	\$73,744	\$73,744	\$78,973	\$5,229
Ordinances and proceedings	4,500	4,500	2,049	(2,451)
Mayor	15,230	15,230	14,680	(550)
Communications	167,129	167,129	141,450	(25,679)
City administrator	340,553	340,553	339,465	(1,088)
Finance	371,417	371,417	364,448	(6,969)
Investment management	87,900	87,900	71,942	(15,958)
Data processing	545,844	598,983	525,828	(73,155)
Legal	206,754	206,754	204,689	(2,065)
Human resources	304,949	304,949	303,399	(1,550)
Wellness program		2,366	431	(1,935)
Planning, zoning, and GIS	154,071	154,071	163,369	9,298
Cable television	100,147	100,147	100,131	(16)
Annexation	2,126	2,126	3,843	1,717
General government buildings	256,355	256,355	282,489	26,134
Other	106,618	226,664	102,727	(123,937)
Total general government	<u>\$2,737,337</u>	<u>\$2,912,888</u>	<u>\$2,699,913</u>	<u>(\$212,975)</u>

(Continued)

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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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Public safety:				
Police department	\$4,369,063	\$4,296,318	\$4,292,203	(\$4,115)
Emergency management	14,403	14,403	7,526	(6,877)
Fire department	824,649	856,285	849,156	(7,129)
Building inspection	149,568	149,568	144,967	(4,601)
Property abatement	12,321	12,321	824	(11,497)
Rental registration	70,862	70,862	68,079	(2,783)
Total public safety	<u>\$5,440,866</u>	<u>\$5,399,757</u>	<u>\$5,362,755</u>	<u>(\$37,002)</u>
Streets and highways:				
Engineering	\$168,391	\$168,391	\$153,110	(\$15,281)
Supervision and general	43,194	43,194	42,020	(1,174)
Street maintenance	1,472,568	1,486,710	1,287,150	(199,560)
Ice and snow removal	612,617	656,432	551,204	(105,228)
Street lighting	292,840	292,840	268,741	(24,099)
Traffic signs and markings	119,714	119,714	103,560	(16,154)
Transit	50,073	50,073	50,056	(17)
Parking lots	22,713	22,713	11,309	(11,404)
Total streets and highways	<u>\$2,782,110</u>	<u>\$2,840,067</u>	<u>\$2,467,150</u>	<u>(\$372,917)</u>
Sanitation:				
Animal and weed control	<u>\$52,192</u>	<u>\$52,192</u>	<u>\$57,333</u>	<u>\$5,141</u>
Airport:				
Airport and grounds	<u>\$215,993</u>	<u>\$215,993</u>	<u>\$222,504</u>	<u>\$6,511</u>
Culture and recreation:				
Recreation	\$850,865	\$850,865	\$1,074,466	\$223,601
Parks	782,196	785,162	915,288	130,126
Forestry and nursery	275,874	281,756	268,192	(13,564)
Senior citizens	98,552	98,552	91,964	(6,588)
Total culture and recreation	<u>\$2,007,487</u>	<u>\$2,016,335</u>	<u>\$2,349,910</u>	<u>\$333,575</u>
Community development:				
Community events	\$6,689	\$6,689	\$12,631	\$5,942
Community development department	115,513	118,013	115,545	(2,468)
Other	<u>176,702</u>	<u>176,702</u>	<u>207,167</u>	<u>30,465</u>
Total community development	<u>\$298,904</u>	<u>\$301,404</u>	<u>\$335,343</u>	<u>\$33,939</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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Economic development:				
Greater Fergus Falls	\$50,073	\$50,073	\$50,056	(\$17)
Regional Treatment Center			11,264	11,264
Other		41,414	41,468	54
Total economic development	<u>\$50,073</u>	<u>\$91,487</u>	<u>\$102,788</u>	<u>\$11,301</u>
Debt service:				
Principal			\$22,849	\$22,849
Interest	1,422	1,422	4,049	2,627
Total debt service	<u>\$1,422</u>	<u>\$1,422</u>	<u>\$26,898</u>	<u>\$25,476</u>
Capital outlay	<u>\$439,125</u>	<u>\$2,276,032</u>	<u>\$698,329</u>	<u>(\$1,577,703)</u>
Total expenditures	<u>\$14,025,509</u>	<u>\$16,107,577</u>	<u>\$14,322,923</u>	<u>(\$1,784,654)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(\$1,930,395)</u>	<u>(\$3,776,225)</u>	<u>(\$305,999)</u>	<u>\$3,470,226</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$1,887,245	\$1,897,470	\$2,726,645	\$829,175
Transfers (out)	<u>(110,500)</u>	<u>(770,500)</u>	<u>(1,041,993)</u>	<u>(271,493)</u>
Total other financing sources and (uses)	<u>\$1,776,745</u>	<u>\$1,126,970</u>	<u>\$1,684,652</u>	<u>\$557,682</u>
Net change in fund balances	<u><u>(\$153,650)</u></u>	<u><u>(\$2,649,255)</u></u>	<u>\$1,378,653</u>	<u><u>\$4,027,908</u></u>
Fund balance - beginning			<u>8,684,592</u>	
Fund balance - ending			<u><u>\$10,063,245</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, 2023

	<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	\$865,000	\$865,000	\$852,496	(\$12,504)
Mobile home tax	750	750	1,027	277
Total taxes	<u>\$865,750</u>	<u>\$865,750</u>	<u>\$853,523</u>	<u>(\$12,227)</u>
Intergovernmental	95,130	98,958	95,122	(3,836)
Charges for services	5,800	5,800	8,684	2,884
Fines and forfeits	1,700	1,700	6,337	4,637
Contributions	650	48,117	48,117	
Investment earnings	10,000	10,000	50,607	40,607
Other	<u>11,458</u>	<u>11,458</u>	<u>9,727</u>	<u>(1,731)</u>
Total revenues	<u>\$990,488</u>	<u>\$1,041,783</u>	<u>\$1,072,117</u>	<u>\$30,334</u>
EXPENDITURES				
Current:				
Culture and recreation	\$887,396	\$889,384	\$880,975	(\$8,409)
Debt service:				
Principal			\$2,829	\$2,829
Interest			545	545
Total debt service			<u>\$3,374</u>	<u>\$3,374</u>
Capital outlay	<u>\$96,562</u>	<u>\$268,528</u>	<u>\$134,608</u>	<u>(\$133,920)</u>
Total expenditures	<u>\$983,958</u>	<u>\$1,157,912</u>	<u>\$1,018,957</u>	<u>(\$138,955)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$6,530</u>	<u>(\$116,129)</u>	<u>\$53,160</u>	<u>\$169,289</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			\$395,681	\$395,681
Transfers (out)	(6,530)	(6,530)	(736,530)	(730,000)
Proceeds from lease issuance			<u>23,040</u>	<u>23,040</u>
Total other financing sources and (uses)	(\$6,530)	(\$6,530)	(\$317,809)	(\$311,279)
Net change in fund balances	<u><u>(\$6,530)</u></u>	<u><u>(\$122,659)</u></u>	<u><u>(\$264,649)</u></u>	<u><u>(\$141,990)</u></u>
Fund balance - beginning			<u>1,268,715</u>	
Fund balance - ending			<u><u>\$1,004,066</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, 2023

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Charges for services	\$55,000	\$92,154	\$37,154
Investment earnings	500	4,221	3,721
Rent	111,600	107,800	(3,800)
Other		220	220
	<u>\$167,100</u>	<u>\$204,395</u>	<u>\$37,295</u>
EXPENDITURES			
Current:			
Culture and recreation	\$274,204	\$283,525	\$9,321
Capital outlay		83,713	83,713
	<u>\$274,204</u>	<u>\$367,238</u>	<u>\$93,034</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(\$107,104)</u>	<u>(\$162,843)</u>	<u>(\$55,739)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$110,500	\$168,963	\$58,463
Transfers (out)	(\$3,396)	(\$3,396)	
	<u>\$107,104</u>	<u>\$165,567</u>	<u>\$58,463</u>
Net change in fund balances	<u><u>\$2,724</u></u>	<u><u>\$2,724</u></u>	<u><u>\$2,724</u></u>
Fund balance - beginning		<u>121,802</u>	
Fund balance - ending		<u><u>\$124,526</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, 2023

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Intergovernmental	\$200,000	\$69,736	(\$130,264)
Charges for services	7,000	5,517	(1,483)
Investment earnings	35,000	92,961	57,961
Other interest income	65,000	61,380	(3,620)
Other		6,018	6,018
	<u>\$307,000</u>	<u>\$235,612</u>	<u>(\$71,388)</u>
EXPENDITURES			
Current:			
Community development	\$30,596	\$29,529	(\$1,067)
Economic development	209,701	76,642	(133,059)
Debt service:			
Principal	36,447	36,242	(205)
Interest	364	364	
	<u>\$277,108</u>	<u>\$142,777</u>	<u>(\$134,331)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$29,892</u>	<u>\$92,835</u>	<u>\$62,943</u>
Net change in fund balances	<u>\$29,892</u>	<u>\$92,835</u>	<u>\$62,943</u>
Fund balance - beginning		<u>4,775,518</u>	
Fund balance - ending		<u>\$4,868,353</u>	

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, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Taxes:			
Tax increments	\$141,675	\$127,010	(\$14,665)
Charges for services		22,659	22,659
Investment earnings	850	3,780	2,930
Total revenues	\$142,525	\$153,449	\$10,924
EXPENDITURES			
Current:			
Economic development	\$142,294	\$148,530	\$6,236
Total expenditures	\$142,294	\$148,530	\$6,236
Excess (deficiency) of revenues over (under) expenditures	\$231	\$4,919	\$4,688
OTHER FINANCING SOURCES (USES)			
Transfers in		\$2,000	\$2,000
Net change in fund balances	\$231	\$6,919	\$6,688
Fund balance - beginning		53,885	
Fund balance - ending		\$60,804	

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, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Taxes:			
General property tax	\$113,400	\$112,050	(\$1,350)
Mobile home tax	58	123	65
Total taxes	\$113,458	\$112,173	(\$1,285)
Intergovernmental	15	17	2
Investment earnings		10,945	10,945
Total revenues	\$113,473	\$123,135	\$9,662
EXPENDITURES			
Current:			
Community development	\$54,000	\$42,535	(\$11,465)
Economic development	60,042	59,331	(711)
Total expenditures	\$114,042	\$101,866	(\$12,176)
Excess (deficiency) of revenues over (under) expenditures	(\$569)	\$21,269	\$21,838
Net change in fund balances	(\$569)	\$21,269	\$21,838
Fund balance - beginning		163,001	
Fund balance - ending		\$184,270	

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, 2023

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Investment earnings	\$279	\$3,338	\$3,059
Rent	141,550	141,550	
	<u>\$141,829</u>	<u>\$144,888</u>	<u>\$3,059</u>
EXPENDITURES			
Debt service:			
Principal	\$60,000	\$60,000	
Interest	79,050	79,050	
Other	495	495	
	<u>\$139,545</u>	<u>\$139,545</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>\$2,284</u>	<u>\$5,343</u>	<u>\$3,059</u>
Net change in fund balances	<u><u>\$2,284</u></u>	<u><u>\$5,343</u></u>	<u><u>\$3,059</u></u>
Fund balance - beginning		<u>38,684</u>	
Fund balance - ending		<u><u>\$44,027</u></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, 2023

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Investment earnings		(\$2,210)	(\$2,210)
Total revenues		(\$2,210)	(\$2,210)
EXPENDITURES			
Debt service:			
Principal	\$285,000	\$285,000	
Interest	54,725	54,725	
Other	1,485	990	(495)
Total expenditures	\$341,210	\$340,715	(\$495)
Excess (deficiency) of revenues over (under) expenditures	(\$341,210)	(\$342,925)	(\$1,715)
OTHER FINANCING SOURCES (USES)			
Transfers in	\$341,210	\$342,175	\$965
Transfers out		(235)	(235)
Total other financing sources and (uses)	\$341,210	\$341,940	\$730
Net change in fund balances		(\$985)	(\$985)
Fund balance - beginning		2,586	
Fund balance - ending		\$1,601	

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, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Taxes:			
General property tax	\$60,200	\$59,863	(\$337)
Mobile home tax	65	74	9
Total taxes	\$60,265	\$59,937	(\$328)
Intergovernmental	10	9	(1)
Investment earnings	169	(407)	(576)
Total revenues	\$60,444	\$59,539	(\$905)
EXPENDITURES			
Debt service:			
Principal	\$50,000	\$50,000	
Interest	11,600	11,600	
Other	495		(495)
Total expenditures	\$62,095	\$61,600	(\$495)
Excess (deficiency) of revenues over (under) expenditures	(\$1,651)	(\$2,061)	(\$410)
Net change in fund balances	(\$1,651)	(\$2,061)	(\$410)
Fund balance - beginning		3,698	
Fund balance - ending		\$1,637	

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, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Taxes:			
General property tax	\$340,000	\$337,160	(\$2,840)
Mobile home tax	350	415	65
Total taxes	\$340,350	\$337,575	(\$2,775)
Intergovernmental	60	52	(8)
Investment earnings	1,057	(1,321)	(2,378)
Total revenues	\$341,467	\$336,306	(\$5,161)
EXPENDITURES			
Debt service:			
Principal	\$260,000	\$260,000	
Interest	82,500	82,500	
Other	495		(495)
Total expenditures	\$342,995	\$342,500	(\$495)
Excess (deficiency) of revenues over (under) expenditures	(\$1,528)	(\$6,194)	(\$4,666)
Net change in fund balances	(\$1,528)	(\$6,194)	(\$4,666)
Fund balance - beginning		32,978	
Fund balance - ending		\$26,784	

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, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Investment earnings	\$9,307	\$124	(\$9,183)
Total revenues	\$9,307	\$124	(\$9,183)
EXPENDITURES			
Current:			
Culture and recreation		\$3,141	\$3,141
Debt service:			
Principal	900,000	900,000	
Interest	36,000	36,000	
Other	495		(495)
Total expenditures	\$936,495	\$939,141	\$2,646
Excess (deficiency) of revenues over (under) expenditures	(\$927,188)	(\$939,017)	(\$11,829)
OTHER FINANCING SOURCES (USES)			
Transfers in	\$727,574	\$730,000	\$2,426
Transfers out		(779,175)	
Total other financing sources and (uses)	\$727,574	(\$49,175)	\$2,426
Net change in fund balances	(\$199,614)	(\$988,192)	(\$788,578)
Fund balance - beginning		988,192	
Fund balance - ending			

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, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Taxes:			
General property tax	\$58,500	\$58,084	(\$416)
Mobile home tax	25	66	41
Total taxes	\$58,525	\$58,150	(\$375)
Intergovernmental	10	9	(1)
Investment earnings	167	(222)	(389)
Total revenues	\$58,702	\$57,937	(\$765)
EXPENDITURES			
Debt service:			
Principal	\$45,000	\$45,000	
Interest	10,500	10,500	
Other		11	11
Total expenditures	\$55,500	\$55,511	\$11
Excess (deficiency) of revenues over (under) expenditures	\$3,202	\$2,426	(\$776)
Net change in fund balances	\$3,202	\$2,426	(\$776)
Fund balance - beginning		3,251	
Fund balance - ending		\$5,677	

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, 2023

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Investment earnings		(\$136)	(\$136)
Total revenues		(\$136)	(\$136)
EXPENDITURES			
Debt service:			
Principal	\$42,682	\$42,682	
Interest	10,670	10,670	
Total expenditures	\$53,352	\$53,352	
Excess (deficiency) of revenues over (under) expenditures	(\$53,352)	(\$53,488)	(\$136)
OTHER FINANCING SOURCES (USES)			
Transfers in	\$53,352	\$54,122	\$770
Net change in fund balances		\$634	\$634
Fund balance - beginning		102	
Fund balance - ending		\$736	

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, 2023

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Investment earnings		\$116	\$116
Total revenues		\$116	\$116
EXPENDITURES			
Debt service:			
Principal	\$34,785	\$32,671	(\$2,114)
Total expenditures	\$34,785	\$32,671	(\$2,114)
Excess (deficiency) of revenues over (under) expenditures	(\$34,785)	(\$32,555)	\$2,230
OTHER FINANCING SOURCES (USES)			
Transfers in	\$34,785	\$32,671	(\$2,114)
Net change in fund balances		\$116	\$116
Fund balance - beginning		680	
Fund balance - ending		\$796	

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, 2023

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Taxes:			
General property tax	\$115,000	\$114,325	(\$675)
Mobile home tax	50	120	70
Total taxes	<u>\$115,050</u>	<u>\$114,445</u>	<u>(\$605)</u>
Intergovernmental	10	18	8
Investment earnings	<u>307</u>	<u>3,684</u>	<u>3,377</u>
 Total revenues	 <u>\$115,367</u>	 <u>\$118,147</u>	 <u>\$2,780</u>
EXPENDITURES			
Debt service:			
Principal	\$85,000	\$85,000	
Interest	16,553	16,553	
Other		495	495
 Total expenditures	 <u>\$101,553</u>	 <u>\$102,048</u>	 <u>\$495</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>\$13,814</u>	 <u>\$16,099</u>	 <u>\$2,285</u>
 Net change in fund balances	 <u><u>\$13,814</u></u>	 <u><u>\$16,099</u></u>	 <u><u>\$2,285</u></u>
 Fund balance - beginning		 <u>97,098</u>	
Fund balance - ending		 <u><u>\$113,197</u></u>	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
G.O. Tax Increment 2022A Debt Service Fund
For the Year Ended December 31, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Investment earnings		\$5,191	\$5,191
Total revenues		\$5,191	\$5,191
EXPENDITURES			
Debt service:			
Interest	\$57,910	\$57,910	
Other	495	495	
Total expenditures	\$58,405	\$58,405	
Excess (deficiency) of revenues over (under) expenditures	(\$58,405)	(\$53,214)	\$5,191
Net change in fund balances	(\$58,405)	(\$53,214)	\$5,191
Fund balance - beginning		145,504	
Fund balance - ending		\$92,290	

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, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Taxes:			
General property tax	\$123,500	\$124,050	\$550
Mobile home tax	145	183	38
Total taxes	\$123,645	\$124,233	\$588
Special assessments	159,939	384,844	224,905
Intergovernmental	5,370,030	3,400,766	(1,969,264)
Contributions	2,000,000	954,707	(1,045,293)
Investment earnings	14,961	(115,139)	(130,100)
Other interest income	54,816	46,182	(8,634)
Other	21,605	21,605	21,605
Total revenues	\$7,723,391	\$4,817,198	(\$2,906,193)
EXPENDITURES			
Current:			
Streets and highways - other	\$10,064	\$2,323,793	\$2,313,729
Culture and recreation - other		10,259	10,259
Economic development - other		1,336,308	1,336,308
Capital outlay	10,780,000	4,647,592	(6,132,408)
Total expenditures	\$10,790,064	\$8,317,952	(\$2,472,112)
Excess (deficiency) of revenues over (under) expenditures	(\$3,066,673)	(\$3,500,754)	(\$434,081)
OTHER FINANCING SOURCES (USES)			
Transfers in	\$1,938,769	\$1,017,913	(\$920,856)
Transfers (out)	(341,210)	(737,856)	(396,646)
General obligation bonds issued	1,482,000	2,015,000	533,000
Premium on general obligation bonds issued	138,471	138,471	138,471
Total other financing sources and (uses)	\$3,079,559	\$2,433,528	(\$646,031)
Net change in fund balances	\$12,886	(\$1,067,226)	(\$1,080,112)
Fund balance - beginning		1,757,352	
Fund balance - ending		\$690,126	

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, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Taxes:			
General property tax	\$40,000	\$39,897	(\$103)
Mobile home tax		49	49
Total taxes	\$40,000	\$39,946	(\$54)
Intergovernmental	1,360,000	1,032,392	(327,608)
Investment earnings		(26,235)	(26,235)
Total revenues	\$1,400,000	\$1,046,103	(\$353,897)
EXPENDITURES			
Current:			
Airport	\$984	\$597,659	\$596,675
Capital outlay	1,806,000	695,473	(1,110,527)
Total expenditures	\$1,806,984	\$1,293,132	(\$513,852)
Excess (deficiency) of revenues over (under) expenditures	(\$406,984)	(\$247,029)	\$159,955
OTHER FINANCING SOURCES (USES)			
Transfers in	\$270,000	\$218,845	(\$51,155)
Net change in fund balances	(\$136,984)	(\$28,184)	\$108,800
Fund balance - beginning		275,428	
Fund balance - ending		\$247,244	

CITY OF FERGUS FALLS, MINNESOTA
Combining Statement of Net Position
Internal Service Funds
December 31, 2023

	Equipment	Employee Insurance	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$515,776	\$9,307	\$525,083
Investments	1,900,000		1,900,000
Receivables:			
Interest	9,919		9,919
Due from other funds	439		439
Advances to other funds	36,056		36,056
Inventories	341,172		341,172
Prepaid		3,150	3,150
Total current assets	\$2,803,362	\$12,457	\$2,815,819
Capital assets:			
Land	\$4,350		\$4,350
Buildings and systems	713,415		713,415
Machinery and equipment	10,798,711		10,798,711
Less accumulated depreciation	(8,660,699)		(8,660,699)
Total capital assets (net of accumulated depreciation)	\$2,855,777		\$2,855,777
Total assets	\$5,659,139	\$12,457	\$5,671,596
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	\$56,340		\$56,340
LIABILITIES			
Current liabilities:			
Accounts payable	\$38,267	\$125	\$38,392
Accrued salaries payable	6,678		6,678
Compensated absences	17,900		17,900
Intergovernmental payable	761		761
Due to other funds	219,422		219,422
Unearned revenue		4,393	4,393
Total current liabilities	\$283,028	\$4,518	\$287,546
Noncurrent liabilities:			
Compensated absences	\$19,869		\$19,869
Net pension liability	208,879		208,879
Total noncurrent liabilities	\$228,748		\$228,748
Total liabilities	\$511,776	\$4,518	\$516,294
DEFERRED INFLOWS OF RESOURCES			
Pensions	\$67,490		\$67,490
NET POSITION			
Net investment in capital assets	\$2,855,777		\$2,855,777
Unrestricted	2,280,436	7,939	2,288,375
Total net position	\$5,136,213	\$7,939	\$5,144,152

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, 2023

	<u>Equipment</u>	<u>Employee Insurance</u>	<u>Total</u>
OPERATING REVENUES			
Sales and charges for services	\$2,323,483	\$2,145,386	\$4,468,869
Total operating revenues	<u>\$2,323,483</u>	<u>\$2,145,386</u>	<u>\$4,468,869</u>
OPERATING EXPENSES			
Personal service	\$302,574		\$302,574
Employee benefits	114,434		114,434
Supplies	634,287		634,287
Utilities	52,013		52,013
Other	238,161	2,150,905	2,389,066
Depreciation	686,378		686,378
Total operating expenses	<u>\$2,027,847</u>	<u>\$2,150,905</u>	<u>\$4,178,752</u>
Operating income (loss)	<u>\$295,636</u>	<u>(\$5,519)</u>	<u>\$290,117</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	\$115,628		\$115,628
Other income	8,158		8,158
Gain on disposal of capital assets	6,892		6,892
Total nonoperating revenue (expenses)	<u>\$130,678</u>		<u>\$130,678</u>
Income before contributions and transfers	\$426,314	(\$5,519)	\$420,795
Transfers (out)	<u>(375,505)</u>		<u>(375,505)</u>
Change in net position	\$50,809	(\$5,519)	\$45,290
Total net position - beginning	<u>5,085,404</u>	<u>13,458</u>	<u>5,098,862</u>
Total net position - ending	<u><u>\$5,136,213</u></u>	<u><u>\$7,939</u></u>	<u><u>\$5,144,152</u></u>

CITY OF FERGUS FALLS, MINNESOTA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2023

	Equipment	Employees Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments from interfund services provided	\$2,331,597	\$2,147,119	\$4,478,716
Payments to suppliers	(776,074)		(776,074)
Payments to employees	(344,775)		(344,775)
Payments for quasi-external transactions	(91,019)		(91,019)
Other operating income	8,158		8,158
Other operating expenses	(199,361)	(2,152,533)	(2,351,894)
	<u>\$928,526</u>	<u>(\$5,414)</u>	<u>\$923,112</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer to other funds	(\$156,660)		(156,660)
Advances to other funds	11,325		11,325
Net cash provided (used) by noncapital financing activities	<u>(\$145,335)</u>		<u>(\$145,335)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Sale of capital assets	\$50,130		\$50,130
Purchase of capital assets	(797,088)		(797,088)
Net cash provided (used) by capital and related financing activities	<u>(\$746,958)</u>		<u>(\$746,958)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(\$275,308)		(\$275,308)
Interest and dividends received	89,254		89,254
Net cash provided (used) by investing activities	<u>(\$186,054)</u>		<u>(\$186,054)</u>
Net increase (decrease) in cash and cash equivalents	(\$149,821)	(\$5,414)	(\$155,235)
Cash and cash equivalents - January 1	665,597	14,721	680,318
Cash and cash equivalents - December 31	<u>\$515,776</u>	<u>\$9,307</u>	<u>\$525,083</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$295,636	(\$5,519)	\$290,117
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	\$686,378		\$686,378
(Increase) decrease in miscellaneous receivable	16,247	1,088	17,335
(Increase) decrease in intergovernmental receivable	2,940		2,940
(Increase) decrease in due from other funds	8,114		8,114
(Increase) decrease in inventories	(58,329)		(58,329)
(Increase) decrease in prepaid items		(77)	(77)
(Increase) decrease in deferred outflows	39,923		39,923
Increase (decrease) in accounts payable	(31,885)	(2,258)	(34,143)
Increase (decrease) in accrued salaries payable	(84)		(84)
Increase (decrease) in compensated absences	13,873		13,873
Increase (decrease) in intergovernmental payable	(387)		(387)
Increase (decrease) in net pension liability	(108,940)		(108,940)
Increase (decrease) in due to other funds	440	(381)	59
Increase (decrease) in unearned revenues		1,733	1,733
Increase (decrease) in deferred inflows	56,442		56,442
Other income	8,158		8,158
Total adjustments	<u>\$632,890</u>	<u>\$105</u>	<u>\$632,995</u>
Net cash provided (used) by operating activities	<u>\$928,526</u>	<u>(\$5,414)</u>	<u>\$923,112</u>
Noncash investing, capital, and financing activities:			
Capital asset disposals	(\$276,250)		(\$276,250)
Capital asset adjustments	150,692		150,692
Capital contributions financed for other funds	(218,845)		(218,845)
Change in fair value of investments	24,692		24,692

CITY OF FERGUS FALLS, MINNESOTA
Combining Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2023

	Custodial Funds		
	Business Development for Fergus Falls	Insurance Escrow	Total Custodial Funds
ASSETS			
Cash and cash equivalents	\$385,016	\$4,159	\$389,175
Interest receivable	1,445		1,445
Total assets	\$386,461	\$4,159	\$390,620
FIDUCIARY NET POSITION			
Restricted for:			
Other organizations	386,461		386,461
Resident insurance claims		4,159	4,159
Total fiduciary net position	\$386,461	\$4,159	\$390,620

CITY OF FERGUS FALLS, MINNESOTA
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2023

	<u>Custodial Funds</u>		<u>Total Custodial Funds</u>
	<u>Business Development for Fergus Falls</u>	<u>Insurance Escrow</u>	
ADDITIONS			
Insurance escrow proceeds		\$4,159	\$4,159
Investment earnings	18,306		18,306
Total additions	\$18,306	\$4,159	\$22,465
DEDUCTIONS			
Economic development	\$1,973		\$1,973
Total deductions	\$1,973		\$1,973
Change in fiduciary net position	\$16,333	\$4,159	\$20,492
Fiduciary net position - beginning	\$370,128		\$370,128
Fiduciary net position - ending	<u>\$386,461</u>	<u>\$4,159</u>	<u>\$390,620</u>

CITY OF FERGUS FALLS, MINNESOTA
Balance Sheet
Discretely Presented Component Unit
PEG Access
December 31, 2023

	Actual Amounts
ASSETS	
Cash and cash equivalents	\$304,173
Receivables:	
Other	18,942
Prepaid items	1,565
Total assets	\$324,680
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$123
Accrued salaries payable	947
Intergovernmental payable	103
Total liabilities	\$1,173
Fund balance:	
Unassigned	\$323,507
Total liabilities and fund balance	\$324,680
Adjustment to reflect capital assets of component unit:	
Cost of Capital Assets	\$202,518
Less: Accumulated depreciation	(202,518)
Adjustment to reflect noncurrent liabilities related to component unit	(11,223)
Net position of governmental activities - component unit - PEG Access	\$312,284

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, 2023

	<u>Actual Amounts</u>
REVENUES	
Intergovernmental	\$100,018
Charges for services	640
Investment earnings	13,958
	<hr/>
Total revenues	\$114,616
	<hr/>
EXPENDITURES	
Current:	
General government	\$69,966
	<hr/>
Total expenditures	\$69,966
	<hr/>
Excess (deficiency) of revenues over (under) expenditures	\$44,650
	<hr/>
Net change in fund balances	\$44,650
	<hr/>
Fund balance - beginning	278,857
	<hr/>
Fund balance - ending	\$323,507
	<hr/> <hr/>
Adjustments to reflect capital assets related to component unit:	
Depreciation expense	(\$1,624)
Adjustment to reflect the change in noncurrent liabilities related to component unit	
	<hr/> (1,927)
Change in net position of governmental activities - component unit - PEG Access	\$41,099
	<hr/> <hr/>

CITY OF FERGUS FALLS, MINNESOTA
Balance Sheet
Discretely Presented Component Unit
Fergus Falls Convention and Visitor's Bureau, Inc. (CVB)
December 31, 2023

	<u>Actual Amounts</u>
ASSETS	
Cash and cash equivalents	\$191,963
Receivables:	
Interest	721
Intergovernmental	21,122
Other	124
Prepaid items	<u>2,995</u>
Total assets	<u><u>\$216,925</u></u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$2,066
Accrued salaries payable	1,166
Intergovernmental payable	<u>209</u>
Total liabilities	<u>\$3,441</u>
Fund balance:	
Unassigned	<u>\$213,484</u>
Total liabilities and fund balance	<u><u>\$216,925</u></u>
Adjustment to reflect noncurrent liabilities related to component unit	<u>(4,244)</u>
Net position of governmental activities - component unit - CVB	<u><u>\$209,240</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, 2023

	Actual Amounts
<hr/>	
REVENUES	
Intergovernmental	\$169,797
Contributions	900
Investment earnings	9,295
Other	627
	<hr/>
Total revenues	\$180,619
	<hr/>
EXPENDITURES	
Current:	
Community development	\$153,831
	<hr/>
Total expenditures	\$153,831
	<hr/>
Excess (deficiency) of revenues over (under) expenditures	\$26,788
	<hr/>
Net change in fund balances	\$26,788
Fund balance - beginning	186,696
	<hr/>
Fund balance - ending	\$213,484
	<hr/> <hr/>
Adjustment to reflect the change in noncurrent liabilities related to component unit	(3,871)
	<hr/>
Change in net position of governmental activities - component unit - CVB	\$22,917
	<hr/> <hr/>

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.	171
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	176
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.	180
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.	186
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.	188

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)

	<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>	<u>2023</u>
Governmental activities:										
Net investment in capital assets	\$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	\$68,279,542
Restricted	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	10,439,068
Unrestricted	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	9,611,959
Total governmental activities net position	<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>	<u>\$88,330,569</u>
Business-type activities:										
Net investment in capital assets	\$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	\$31,912,545
Restricted	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	2,097,543
Unrestricted	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	26,151,844
Total business-type activities net position	<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>	<u>\$60,161,932</u>
Primary government:										
Net investment in capital assets	\$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	\$100,002,891
Restricted	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	12,536,611
Unrestricted	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	35,952,999
Total primary government net position	<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>	<u>\$148,492,501</u>

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
EXPENSES:										
Governmental activities:										
General government	\$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	\$3,097,269
Public safety	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	6,123,119
Streets and highways	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	6,078,022
Sanitation	69,158	75,716	77,672	82,683	85,516	48,671	43,650	39,876	49,016	56,593
Airport	503,714	374,736	360,852	383,767	387,634	390,983	401,828	455,053	500,269	1,065,842
Culture and recreation	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	4,902,747
Community development	203,259	297,854	398,289	346,735	223,862	295,167	263,089	303,216	389,485	407,504
Economic development	680,921	826,405	1,403,907	950,161	2,164,545	2,779,698	1,219,034	1,011,599	996,509	2,045,315
Interest on long-term debt	436,492	425,252	254,802	224,228	339,920	336,125	470,878	258,834	247,061	255,134
Total governmental activities expenses	\$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	\$24,031,545
Business-type activities:										
Waste Management	\$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	\$3,201,557
Liquor Store	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	6,310,468
Sewage Disposal	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	2,121,910
Water Department	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	2,203,390
Storm Water	338,483	394,296	406,506	413,835	384,714	430,426	438,546	404,799	519,251	527,395
Total business-type activities expenses	\$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	\$14,364,720
Total primary government expenses	\$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	\$38,396,265
PROGRAM REVENUES:										
Governmental activities:										
Charges for services:										
General government	\$174,449	\$265,012	\$350,305	\$234,152	\$196,565	\$217,604	\$205,981	\$266,156	\$290,055	\$249,791
Public safety	336,394	418,966	453,853	443,685	401,031	447,838	525,877	486,142	609,288	502,212
Streets and highways	39,540	38,908	36,142	40,190	43,943	56,030	43,576	44,861	54,197	51,474
Sanitation	1,025	1,269	2,779	4,535	1,797	6,046	6,652	2,506	9,864	14,203
Airport	33,241	27,023	25,262	29,866	33,298	30,974	29,258	130,828	41,233	19,425
Culture and recreation	609,416	614,258	642,284	646,634	656,091	639,777	496,431	640,294	829,869	1,014,636
Community development	8,500	8,500	8,500	8,500	18,500	8,500	8,500	8,500	8,500	10,432
Economic development	661,848	680,867	494,938	332,306	393,624	434,153	530,024	457,693	470,883	509,427
Operating grants and contributions	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	1,909,912
Capital grants and contributions	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	6,297,477
Total governmental activities program revenues	\$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	\$10,578,989

(Continued)

**Table 2
(Continued)**

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

	<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>	<u>2023</u>
Business-type activities:										
Charges for services:										
Waste Management	\$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	\$3,756,434
Liquor Store	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	7,491,985
Sewage Disposal	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	2,286,904
Water Department	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	2,963,533
Storm Water	438,633	478,279	496,032	539,298	549,744	590,062	641,082	652,482	647,706	832,446
Total business-type activities program revenues	<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>	<u>\$17,331,302</u>
Total primary government program revenues	<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>	<u>\$27,910,291</u>
NET (EXPENSE) REVENUE:										
Governmental activities	(\$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)	(\$13,452,556)
Business-type activities	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	2,966,582
Total primary government net (expense) revenue	<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>	<u>(\$10,485,974)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:										
Governmental activities:										
Taxes:										
Property taxes	\$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	\$7,650,231
Local option sales tax	1,254,844	1,233,022	1,287,047		1,312,194	1,354,084	1,430,063	1,560,963	1,265,431	440,906
Lodging taxes	161,678	152,642	147,245	141,028	143,020	138,668	90,992	138,801	169,686	169,797
Tax increments	126,185	135,623	104,408	139,249	198,127	216,458	257,208	235,289	242,576	130,057
Unrestricted intergovernmental revenues	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	3,838,824
Unrestricted investment earnings	415,185	215,405	203,981	297,797	254,281	676,972	602,071	(95,456)	(884,915)	769,334
Gain on sale of capital assets			12,766	9,402	12,280	4,279	39,995		32,810	6,892
Special item		337,014	(322,476)			(7,641,790)				
Transfers	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	1,868,676
Total governmental activities	<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>	<u>\$14,874,717</u>
Business-type activities:										
Unrestricted investment earnings	\$488,681	\$225,582	\$203,777	\$356,485	\$336,035	\$1,001,404	\$1,061,379	(\$155,914)	(\$1,592,041)	\$1,287,355
Gain on sale of capital assets									473	
Special item		(300,000)						35,242		
Transfers	(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)	(1,868,676)
Total business-type activities	<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>	<u>(\$581,321)</u>
Total primary government	<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>	<u>\$14,293,396</u>
CHANGE IN NET POSITION:										
Government activities	\$2,104,624	\$1,991,088	\$240,967	\$105,268	\$1,873,605	(\$5,320,844)	\$3,750,495	\$5,710,617	\$851,814	\$1,422,161
Business-type activities	707,003	149,489	1,951,826	413,902	918,222	1,879,149	2,446,367	1,179,501	726,048	2,385,261
Total primary government	<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>	<u>\$3,807,422</u>

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

	<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>	<u>2023</u>
General Fund:										
Nonspendable	\$440,267	\$491,482	\$175,646	\$150,706	\$163,928	\$177,927	\$202,355	\$234,930	\$159,609	\$221,074
Restricted	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	1,788,915
Assigned	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	1,472,487
Unassigned	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	6,580,769
Total General Fund	<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>	<u>\$10,063,245</u>
All Other Governmental Funds										
Nonspendable	\$28,075	\$28,075	\$14,301	\$14,301	\$14,301	\$14,989	\$14,301	\$16,299	\$24,975	\$21,880
Restricted	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	5,095,565
Committed	317,992	397,823	436,743	495,255	458,875	505,972	563,160	624,059	514,826	507,911
Assigned	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	5,967,427
Total All Other Governmental Funds	<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>	<u>\$11,592,783</u>

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
REVENUES:										
Taxes	\$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	\$8,354,605
Special assessments	572,685	472,552	460,754	630,675	411,971	584,418	361,151	474,217	252,146	384,844
Licenses and permits	133,989	195,553	172,476	196,625	127,783	200,112	182,754	225,777	333,921	266,968
Intergovernmental	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	10,278,557
Charges for services	826,534	874,392	996,899	979,992	1,024,319	977,258	933,269	1,027,672	1,237,498	1,299,934
Fines and forfeits	115,751	118,317	127,490	103,251	94,957	105,731	109,761	87,912	71,155	82,042
Contributions	516,543	338,356	419,622	1,046,432	766,662	164,667	153,346	432,396	647,521	1,078,072
Investment earnings	372,377	187,460	189,470	264,785	231,894	597,714	509,790	(78,258)	(748,387)	653,706
Other interest income	236,151	217,811	188,338	185,717	194,109	193,109	124,804	115,687	112,239	107,562
Rent	611,144	634,274	388,329	289,731	312,443	357,222	445,243	501,423	519,722	546,132
Other	195,736	149,069	251,661	131,769	397,268	144,304	127,950	201,123	93,394	199,756
Total revenues	\$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	\$23,252,178
EXPENDITURES:										
Current:										
General government	\$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	\$2,699,913
Public safety	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	5,362,755
Streets and highways	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	4,790,943
Sanitation	70,667	77,809	77,525	81,274	84,083	48,901	46,762	42,803	47,950	57,333
Airport	187,842	205,451	194,026	208,939	205,063	209,516	219,906	255,779	281,105	820,163
Culture and recreation	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	3,551,486
Community development	203,259	297,833	399,052	346,735	223,765	301,302	269,338	303,489	379,749	407,407
Economic development	570,156	601,899	1,387,474	882,133	2,005,862	2,639,380	1,084,010	848,506	738,865	1,933,846
Debt service:										
Principal	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	1,822,668
Interest	458,395	389,737	283,626	232,704	400,160	363,656	467,599	417,561	362,271	364,495
Other	4,585	61,408	4,090	1,415	7,250	1,485	110,206	2,356	2,491	2,486
Capital Outlay	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	6,259,715
Total expenditures	\$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	\$28,073,210
Excess (deficit) of revenues over (under) expenditures	(\$1,919,678)	(\$3,464,282)	(\$2,364,613)	(\$3,190,997)	(\$7,208,872)	(\$4,300,460)	(\$188,538)	(\$2,076,693)	(\$5,863,395)	(\$4,821,032)
OTHER FINANCING SOURCES (USES):										
Transfers in	\$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	\$5,689,015
Transfers out	(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)	(3,387,978)
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	2,070,183
Refunding bonds issued							5,245,000			
Premium on general obligation bonds issued		28,426		357,996		141,025	608,862	5,204	26,275	138,471
Proceeds from lease issuance										23,040
Payment of refunded bonds							(5,705,000)			
Sale of capital assets	1,888	8,310		13,466			1,200	700		
Total other financing sources (uses)	\$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	\$4,532,731
Special item - golf course loan			(\$322,476)							
Net change in fund balances	(\$616,150)	(\$27,108)	(\$573,674)	\$6,299,284	(\$5,547,322)	\$983,129	\$2,333,527	\$2,094,611	(\$2,322,979)	(\$288,301)
Debt service as a percentage of noncapital expenditures	25.16%	31.93%	17.73%	10.08%	13.76%	16.11%	14.78%	14.74%	12.24%	9.92%

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
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%
2023	8,750,573	4,228,858	1,327,132	1,385	119,914	14,185,264	1,152,623,800	53.38%	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				
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
2023	48.70	4.68	53.38	17.78	33.98	1.62	0.42

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	2023			2014		
		2022/2023 Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value	2013/2014 Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value
Otter Tail Power Company	Public Utility	\$1,025,736	1	7.17%	\$1,074,330	1	11.17%
Lake Region Healthcare Corp.	Healthcare	311,592	2	2.18%	95,455	6	0.99%
FFFFMN001 LLC	Commercial	165,748	3	1.16%	0		0.00%
Great Plains Natural Gas Co.	Public Utility	154,436	4	1.08%	0		0.00%
Walmart Real Estate Bus Tst	Retail Discount Store	111,428	5	0.78%	122,258	3	1.27%
Sterling Offc & Ind Prop LLLP	Industrial	103,636	6	0.72%	0		0.00%
Fergus Falls Lodging LLC	Commercial	96,880	7	0.68%	0		0.00%
Home Depot USA Inc.	Retail Discount Store	95,872	8	0.67%	96,446	5	1.00%
Sunset Ridge Apts of FF LLP	Housng	94,327	9	0.66%	0		0.00%
Vector Windows Inc.	Commercial/Industrial	85,696	10	0.60%	0		0.00%
Mills Properties Inc.	Retail Discount Store			0.00%	156,932	2	1.63%
SMR Acquisition LLC	Industrial			0.00%	93,667	7	0.97%
LRH Medical Properties	Healthcare			0.00%	116,254	4	1.21%
GKL Properties LLC	Industrial			0.00%	69,240	9	0.72%
Dirkmann Perry Real Estate PTR	Industrial			0.00%	67,386	10	0.70%
Burlington Northern RR Co	Railroad Land and Building			0.00%	78,577	8	0.82%
		<u>\$2,245,351</u>		<u>15.69%</u>	<u>\$1,970,545</u>		<u>20.48%</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
2014	\$4,701,304	(\$16,762)	(\$997)	\$4,683,545	\$4,638,652	99.02%	\$44,624	\$4,683,276	99.99%
2015	4,932,384	(88)	7,441	4,939,737	4,868,368	98.70%	49,746	4,918,114	99.56%
2016	5,238,001	8,582	(7,601)	5,238,982	5,175,821	98.65%	58,866	5,234,688	99.92%
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)	4,135	6,367,323	6,310,088	99.17%	55,516	6,365,603	99.97%
2020	6,529,647	1,326	(17,147)	6,513,826	6,461,723	98.94%	48,913	6,510,636	99.95%
2021	6,544,588	(724)	11,037	6,554,902	6,468,492	98.85%	80,599	6,549,092	99.91%
2022	6,998,322	(1,025)	3,149	7,000,446	6,873,716	98.23%	105,927	6,979,643	99.70%
2023	7,571,035	(6,916)	0	7,564,120	7,412,713	98.00%	0	7,412,713	98.00%

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
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
2023		1,695,224	0	4,865,854	7,019,462	323,268	0	94,538

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)
\$5,216,239	\$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
4,220,207			18,218,553	4.06%	1,293

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				
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
2023		1,695,224	0	4,865,854	7,019,462	323,268	4,220,207	2,693,942	15,430,073	1.34%	1,095

(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, 2023

	Debt Outstanding	Percentage Applicable to City of Fergus Falls (1)	Amount Applicable to City of Fergus Falls
City of Fergus Falls direct debt	\$13,998,346	100.00%	\$13,998,346
ISD #544	19,945,000	48.61%	9,695,265
Otter Tail County	59,880,000	9.48%	5,676,624
Subtotal, overlapping debt	<u>\$79,825,000</u>		<u>\$15,371,889</u>
Total Direct and Overlapping Debt	<u>\$93,823,346</u>		<u>\$29,370,235</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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt limit 3% of estimated market value	\$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	\$34,578,714
Total net debt applicable to limit	6,227,001	5,901,059	5,595,174	5,285,482	4,972,904	4,640,633	4,836,856	4,485,778	4,111,968	3,714,448
Legal debt margin	\$15,669,381	\$15,869,644	\$16,742,199	\$18,216,830	\$19,610,824	\$21,467,053	\$22,227,971	\$24,174,095	\$25,224,720	\$30,864,266
Total net debt applicable to the limit as a percentage of debt limit	28.44%	27.11%	25.05%	22.49%	20.23%	17.77%	17.87%	15.65%	14.02%	10.74%

Legal Debt Margin Calculation for Fiscal Year 2023

Taxable market value	\$1,152,623,800
Debt limit (3% of total assessed value)	34,578,714
Debt applicable to limit:	
General obligation debt	3,748,546
Less: Amount set aside for repayment of general obligation debt	(34,098)
Total net debt applicable to limit	\$3,714,448
Legal debt margin	\$30,864,266

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	
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			
2023	2,468,628	1,291,695	1,176,933			

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>
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
2023	14,085	448,226,955	2,757	2.50%	31,823	9,536

(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	2023			2014		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lake Region Healthcare Corporation	Hospital	845	1	8.86%	849	1	8.40%
ISD #544	Education	422	2	4.43%	337	4	3.33%
Otter Tail County	Government	391	3	4.10%	370	3	3.66%
Otter Tail Power Company	Public Utility	369	4	3.87%	382	2	3.78%
Pioneer Home	Nursing Home	210	5	2.20%	306	5	3.03%
City of Fergus Falls	Municipality	199	6	2.09%	186	9	1.84%
Productive Alternatives	Vocational Rehab. Service	179	7	1.88%	157	10	1.55%
Veterans Home	Nursing Home	179	8	1.88%	196	8	1.94%
LB Homes	Nursing Home	149	9	1.56%	251	6	2.48%
Vector Windows	Manufacturing	146	10	1.53%			
Northern Contours	Manufacturing				230	7	2.28%
Total Employment		3,089		32.39%	3,264		32.30%

Source: City of Fergus Falls Community Development data

Table 16

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government:										
Administration	2	2	2	2	2	2	2	2	2	2
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	3
Planning and zoning	1	1	1	1	1	1	0	1	0	0
General government buildings	2	2	2	2	2	2	2	2	2	2
Economic development		1	1	2	1	1	1	1	1	1
Other	11	11	11	11	11	12	11	10	12	12
Public Safety:										
Police:										
Licensed	23	23	23	23	24	24	23	24	23	22
Other	5	6	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	2	3	3	3	3	3	2	2	2	2
Public Works:										
Engineering/GIS	6	6	5	6	6	6	6	6	6	5
Street	11	11	11	11	11	11	11	11	11	10
Shop	5	5	5	5	5	5	4	4	4	3
Park and Recreation	10	10	10	11	11	11	10	10	10	10
Subtotal	92	95	94	97	97	98	92	93	93	90
Waste Management	9	9	9	9	9	9	9	9	9	10
Liquor Store	10	10	11	12	13	12	13	14	14	12
Sewage Disposal	6	6	6	6	6	6	6	6	6	4
Water Department	7	7	7	7	7	7	6	6	6	7
Subtotal	32	32	33	34	35	34	34	35	35	33
Total	124	127	127	131	132	132	126	128	128	123

Source: Departments of the City

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government:										
Planning:										
Number of case files	26	34	33	24	21	23	24	21	21	4
Number of plats filed	2	5	3	0	7	5	3	4	4	1
Public Safety:										
Police:										
Physical arrests	789	787	715	751	1,318	757	1,300	903	829	958
Citations	1,237	1,248	1,291	1,342	441	420	457	480	553	411
Calls for service	12,760	12,977	13,455	17,096	12,275	12,863	11,305	10,982	11,474	11,637
Fire:										
Calls for service	211	198	190	223	232	341	291	270	321	307
Building Official:										
Building permits issued	280	302	301	305	291	295	345	339	372	357
Single family homes permitted	4	14	14	7	8	16	35	16	14	10
Public Works:										
Street:										
Miles of roadway	116.05	115.82	118.64	118.64	118.71	118.71	119.89	119.12	122.01	122.29
Library:										
Physical volumes in collection	65,381	63,784	64,939	60,459	65,223	66,537	67,182	68,686	76,913	82,215
Total physical volumes borrowed	224,699	222,327	224,999	215,731	205,236	220,718	151,135	183,088	193,402	196,850
Digital volumes in collection	4,640	6,326	6,845	5,569	7,796	7,230	10,226	20,601	24,533	21,081
Total digital volumes borrowed	9,836	13,695	13,792	14,951	19,166	21,307	25,815	23,329	33,414	28,869
Park and Recreation:										
Program participants	5,472	6,472	8,056	7,345	9,920	6,826	450	6,690	6,707	7,324
Public Utilities:										
Waste Management:										
Number of accounts	4,591	4,634	4,704	4,714	4,754	4,779	4,826	4,843	4,870	4,952
Sewage Disposal:										
Number of accounts	4,733	4,761	4,747	4,768	4,773	4,799	4,860	4,895	4,921	4,934
Millions of gallons processed	669.78	585.60	605.08	643.84	593.16	652.62	625.64	539.78	542.59	515.97
Water:										
Number of accounts	4,819	4,851	4,837	4,858	4,865	4,889	4,949	4,980	5,005	5,021
Millions of gallons pumped	427.11	434.91	423.95	407.40	403.66	367.92	358.38	399.23	390.63	379.83
Peak demand (MGD)	2.02	3.33	2.06	1.90	1.34	2.04	1.86	2.27	2.75	2.09
Storm Water:										
Number of accounts	4,751	4,779	4,858	4,877	4,902	4,928	4,986	5,019	5,053	5,070

Source: Departments of the City

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	17	17	17	18	19	19	19	22	20	22
Fire Stations	1	1	1	1	1	1	1	1	1	1
Street:										
Miles of roadway	116.05	115.82	118.64	118.64	118.71	118.71	119.89	119.12	122.01	122.29
Traffic signals	13	13	13	13	13	13	13	13	13	13
Park & Recreation:										
Acres	351	351	445	445	455	466	551	551	551	551
Parks	23	23	25	25	25	27	27	29	29	28
Ball fields	12	12	12	12	12	12	13	13	13	13
Soccer fields	4	4	4	4	4	4	4	4	4	4
Playgrounds	10	10	10	10	11	11	11	11	11	10
Liquor Stores	2	2	2	2	2	2	2	2	2	2
Water:										
Miles of water mains	103.95	103.95	104.42	104.42	106.06	106.84	107.44	107.52	107.60	107.62
Fire hydrants	703	703	703	704	704	743	755	756	760	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	9	9	8	8	8	8	8
Sewage Disposal:										
Miles of sewer mains	92.58	92.66	92.66	92.66	92.72	93.02	93.61	93.61	93.81	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

Source: Departments of the City