

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 29, 2021

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds is included, however, in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to carrying and acquiring tax-exempt obligations. See "TAX CONSIDERATIONS" herein.

New Issue

Rating Application Made: S&P Global Ratings

CITY OF PERHAM, MINNESOTA (Otter Tail County)

\$880,000* GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2021D

PROPOSAL OPENING: May 10, 2021, 10:30 A.M., C.T.

CONSIDERATION: May 10, 2021, 5:15 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$880,000* General Obligation Improvement Bonds, Series 2021D (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, by the City of Perham, Minnesota (the "City") for the purpose of financing various public improvements within the City. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota.

DATE OF BONDS: May 27, 2021

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2023	\$50,000	2030	\$45,000	2037	\$40,000
2024	50,000	2031	45,000	2038	40,000
2025	50,000	2032	45,000	2039	40,000
2026	50,000	2033	45,000	2040	40,000
2027	45,000	2034	45,000	2041	40,000
2028	45,000	2035	40,000	2042	40,000
2029	45,000	2036	40,000		

MATURITY

ADJUSTMENTS:

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS:

See "Term Bond Option" herein.

INTEREST:

February 1, 2022 and semiannually thereafter.

OPTIONAL

Bonds maturing on February 1, 2031 and thereafter are subject to call for prior optional redemption on February 1, 2030 and any date thereafter, at a price of par plus accrued interest.

REDEMPTION:

\$866,800.

MINIMUM PROPOSAL:

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$17,600 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT:

Bond Trust Services Corporation

BOND COUNSEL:

Dorsey & Whitney LLP

MUNICIPAL ADVISOR:

Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY:

See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Bonds.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the City is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

TABLE OF CONTENTS

INTRODUCTORY STATEMENT	1	FINANCIAL STATEMENTS.....	A-1
THE BONDS.....	1	FORM OF LEGAL OPINION.....	B-1
GENERAL.....	1	BOOK-ENTRY-ONLY SYSTEM.....	C-1
OPTIONAL REDEMPTION.....	2		
AUTHORITY; PURPOSE.....	2		
ESTIMATED SOURCES AND USES.....	2	FORM OF CONTINUING DISCLOSURE COVENANTS	
SECURITY.....	2	(EXCERPTS FROM AWARD RESOLUTION).....	D-1
CONCURRENT FINANCING.....	3		
RATING.....	3	TERMS OF PROPOSAL.....	E-1
CONTINUING DISCLOSURE.....	3		
LEGAL OPINION.....	4		
TAX CONSIDERATIONS.....	4		
MUNICIPAL ADVISOR.....	7		
MUNICIPAL ADVISOR AFFILIATED COMPANIES.....	7		
INDEPENDENT AUDITORS.....	8		
RISK FACTORS.....	8		
 VALUATIONS.....	10		
OVERVIEW.....	10		
CURRENT PROPERTY VALUATIONS.....	11		
2020/21 NET TAX CAPACITY BY CLASSIFICATION.....	12		
TREND OF VALUATIONS.....	12		
LARGER TAXPAYERS.....	13		
 DEBT.....	14		
DIRECT DEBT.....	14		
SCHEDULES OF BONDED INDEBTEDNESS.....	15		
DEBT LIMIT.....	22		
OVERLAPPING DEBT.....	22		
DEBT RATIOS.....	23		
DEBT PAYMENT HISTORY.....	23		
FUTURE FINANCING.....	23		
 TAX RATES, LEVIES AND COLLECTIONS.....	24		
TAX LEVIES AND COLLECTIONS.....	24		
TAX CAPACITY RATES.....	25		
LEVY LIMITS.....	25		
 THE ISSUER.....	26		
CITY GOVERNMENT.....	26		
EMPLOYEES; PENSIONS; UNIONS.....	26		
POST EMPLOYMENT BENEFITS.....	26		
LITIGATION.....	26		
MUNICIPAL BANKRUPTCY.....	27		
FUNDS ON HAND.....	27		
ENTERPRISE FUNDS.....	28		
SUMMARY GENERAL FUND INFORMATION.....	29		
 GENERAL INFORMATION.....	30		
LOCATION.....	30		
LARGER EMPLOYERS.....	30		
BUILDING PERMITS.....	31		
U.S. CENSUS DATA.....	32		
EMPLOYMENT/UNEMPLOYMENT DATA.....	32		

CITY OF PERHAM CITY COUNCIL

		<u>Term Expires</u>
Timothy Meehl	Mayor	January 2023
James Johnson	Council Member	January 2025
Fred Lehmkuhl	Council Member	January 2023
Brad Schmidt	Council Member	January 2023
Eric Spencer	Council Member	January 2025

ADMINISTRATION

Jonathan Smith, City Manager
Patti Stokke, Finance Officer

PROFESSIONAL SERVICES

Dorsey & Whitney LLP, Bond Counsel, Minneapolis, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota
(*Other offices located in Waukesha, Wisconsin and Denver, Colorado*)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Perham, Minnesota (the "City") and the issuance of its \$880,000* General Obligation Improvement Bonds, Series 2021D (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the City Council on May 10, 2021.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of May 27, 2021. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2022, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2031 shall be subject to optional redemption prior to maturity on February 1, 2030 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, by the City for the purpose of financing the construction of new street and utility improvements for the City's Westwind 4 Subdivision Project.

ESTIMATED SOURCES AND USES*

Sources	
Par Amount of Bonds	<u>\$880,000</u>
Total Sources	\$880,000
Uses	
Total Underwriter's Discount (1.500%)	\$13,200
Costs of Issuance	33,000
Deposit to Capitalized Interest (CIF) Fund	8,520
Deposit to Project Construction Fund	821,477
Rounding Amount	<u>3,803</u>
Total Uses	\$880,000

*Preliminary, subject to change.

SECURITY

The Bonds are general obligations of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount. The City anticipates that the debt service will be paid entirely from special assessments. Receipt of special assessments levied against specially benefitted properties will be sufficient to provide not less than 105% of principal and interest on the Bonds as required by Minnesota law.

Should the revenues pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy additional taxes for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

CONCURRENT FINANCING

By means of separate Preliminary Official Statements, the City will offer for sale its General Obligation Sales Tax Revenue Bonds, Series 2021B (the "Series 2021B Bonds") and its Taxable General Obligation Temporary Tax Abatement Bonds, Series 2021C (the "Series 2021C Bonds") (collectively, the "Concurrent Obligations") which are scheduled to close on May 27, 2021.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "AA-" by S&P Global Ratings ("S&P").

The City has requested a rating on the Bonds from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

In the Award Resolution, the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

In the previous five years, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

LEGAL OPINION

An opinion in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the City.

TAX CONSIDERATIONS

The following is a summary of certain U.S. federal and Minnesota income tax considerations relating to the purchase, ownership, and disposition of the Bonds. This summary is based on the U.S. Internal Revenue Code of 1986 (the "Code") and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the "IRS"), all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters discussed below, including the tax exemption of interest on the Bonds. The City has not sought and will not seek any rulings from the IRS regarding the matters discussed below, and there can be no assurance the IRS or a court will not take a contrary position regarding these matters.

Prospective purchasers of Bonds should consult their own tax advisors with respect to applicable federal, state, and local tax rules, and any pending or proposed legislation or regulatory or administrative actions, relating to the Bonds based on their own particular circumstances.

This summary is for general information only and is not intended to constitute a complete analysis of all tax considerations relating to the purchase, ownership, and disposition of Bonds. It does not address the application of the alternative minimum tax or the additional tax on net investment income, nor does it address the U.S. federal estate and gift tax or any state, local, or non-U.S. tax consequences except with respect to Minnesota income tax to the extent specified herein. This summary is limited to consequences to U.S. holders that purchase the Bonds for cash at original issue and hold the Bonds as "capital assets" (generally, property held for investment).

This discussion does not address all aspects of U.S. federal income or state taxation that may be relevant to particular holders of Bonds in light of their specific circumstances or the tax considerations applicable to holders that may be subject to special income tax rules, such as holders subject to special tax accounting rules under Section 451(b) of the Code; insurance companies, brokers, dealers, or traders in stocks, securities, or currencies or notional principal contracts; foreign corporations subject to the branch profits tax; holders receiving payments in respect to the Bonds through foreign entities; and S corporations, partnerships, or other pass-through entities or investors therein.

For purposes of this discussion, the "issue price" of a maturity of Bonds is the first price at which a substantial amount of Bonds of that maturity is sold for cash to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers.

Tax Exempt Interest

In the opinion of Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes (ii) is not an item of tax preference for federal alternative minimum tax purposes; (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for federal or Minnesota alternative minimum tax purposes. Interest on the Bonds is included, however, in net taxable income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of Bond proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of Bond proceeds and other amounts. The City has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds is included in federal gross income or in Minnesota taxable net income.

Original Issue Discount

Bonds may be issued at a discount from their principal amount (any such Bonds being "Discount Bonds"). The excess of the principal amount payable on Bonds of a given maturity over their issue price constitutes "original issue discount" ("OID"). OID that accrues to a holder of a Discount Bond is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of OID that accrues on a Discount Bond is added to the holder's federal and Minnesota tax bases. OID is taxable under the Minnesota franchise tax on corporations and financial institutions.

OID on a Discount Bond generally accrues pursuant to a constant-yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of OID that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Discount Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Discount Bonds, over (2) the amount of stated interest actually payable. For this purpose, the adjusted issue price is determined by adding to the issue price for such Discount Bonds the OID that is treated as having accrued during all prior accrual periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, then the original issue discount that would have accrued for that accrual period for federal income tax purposes is allocated ratably to the days in such accrual period.

If a Discount Bond is purchased for a cost that exceeds the sum of the issue price plus accrued interest and accrued OID, the amount of OID that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Discount Bond. If the excess is greater than the amount of remaining OID, the basis reduction rules for amortizable bond premium may result in taxable gain upon sale or other disposition of the Bonds, even if the Bonds are sold, redeemed or retired for an amount equal to or less than their cost.

It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual and may be deemed to accrue differently than under federal law.

Market Discount

If a Bond is purchased for a cost that is less than the Bond's issue price (plus accrued original issue discount, if any), the purchaser will be treated as having purchased the Bond with market discount (unless a statutory *de minimis* rule applies). Market discount is treated as ordinary income and generally is recognized on the maturity or earlier disposition of the Bond (to the extent that the gain realized does not exceed the accrued market discount on the Bond).

Bond Premium

A holder that acquires a Bond for an amount in excess of its principal amount generally must, from time to time, reduce the holder's federal and Minnesota tax basis for the Bond. Premium generally is amortized for federal income tax purposes and Minnesota income and franchise tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, holders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes or for purposes of the Minnesota income tax applicable to individuals, estates, or trusts.

Related Tax Considerations

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take interest on the Bonds into account in determining the taxability of such benefits.

Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, generally, no deduction is allowed under Section 265(b) of the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Bonds, unless the obligations are "qualified tax-exempt obligations". Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchaser of the Bonds.

The Bonds are "qualified tax exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, although interest expense allocable to the Bonds is not subject to the disallowance under Section 265(b) of the Code, the deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds may be subject to reduction under Section 291 of the Code.

The ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds, may affect a holder's federal, state, or local tax liability in some additional circumstances. The nature and extent of these other tax consequences depends upon the particular tax status of the holder and the holder's other items of income or deduction.

Sale or Other Disposition

A holder will generally recognize gain or loss on the sale, exchange, redemption, retirement, or other disposition of a Bond equal to the difference between (i) the amount realized less amounts attributable to any accrued but unpaid stated interest and (ii) the holder's adjusted tax basis in the Bond. The amount realized includes the cash and the fair market value of any property received by the holder in exchange for the Bond. A holder's adjusted tax basis in a Bond generally will be equal to the amount that the holder paid for the Bond, increased by any accrued original issue discount with respect to the Bond and reduced by the amount of any amortized bond premium on the Bond. Except to the extent attributable to market discount (which will be taxable as ordinary income to the extent not previously included in income), any gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holder held the Bond for more than one year. Long-term capital gains recognized by certain non-corporate persons, including individuals, generally are taxable at a reduced rate. The deductibility of capital losses is subject to significant limitations.

Information Reporting and Backup Withholding

Payments of interest on the Bonds (including any allocable bond premium or accrued original issue discount) and proceeds from the sale or other disposition of the Bonds are expected to be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the holder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain holders are exempt from information reporting. Potential holders should consult their own tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2019 have been audited by Brady, Martz & Associates, P.C., Thief River Falls, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue (special assessments) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the bond resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to United States or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

State Economy; State Aids: State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

Cybersecurity: The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

Impact of the Spread of COVID-19: In late 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. COVID-19 has spread throughout the world, including to the United States, resulting in the World Health Organization proclaiming COVID-19 to be a pandemic and President Trump declaring a national emergency. In response to the spread of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19. The effects of the spread of COVID-19 and the government and private responses to the spread continue to rapidly evolve. COVID-19 has caused significant disruptions to the global, national and State economy. The extent to which the coronavirus impacts the City and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted by the City, including the duration of the outbreak and measures taken to address the outbreak.

On March 13, 2020, Minnesota Governor Tim Walz signed Emergency Executive Order 20-01 and declared a peacetime emergency. In subsequent executive orders, the Governor has extended the peacetime emergency by 30 days. On June 5, 2020, the Governor signed Emergency Executive Order 20-74 which outlines guidelines for continuing to safely reopen Minnesota's economy and ensuring safe non-work activities during the COVID-19 peacetime emergency. This order is effective as of June 10, 2020, and outlines the guidelines for continuing to lift the restrictions that were identified in prior executive orders signed by the Governor.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provides for federal payments from the Coronavirus Relief Fund to the State for the discrete purpose of covering expenses directly incurred as a result of COVID-19 between March 1 and December 30, 2020. On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021, which provides local governments an additional \$130.2 billion through the Coronavirus Local Fiscal Recovery Fund. These funds can be used to mitigate increased expenditures, lost revenue and economic hardship related to the COVID-19 pandemic.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Preliminary Official Statement and the Appendices hereto.

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2018/19	2019/20	2020/21
Residential homestead ¹	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead ¹	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,940,000 - 0.50% ² Over \$1,940,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,880,000 - 0.50% ² Over \$1,880,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% ² Over \$1,900,000 - 1.00% ²
Agricultural non-homestead	Land - 1.00% ²	Land - 1.00% ²	Land - 1.00% ²
Seasonal recreational residential	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$139,000 - .75% Over \$139,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$150,000 - .75% Over \$150,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$150,000 - .75% Over \$150,000 - .25%
Industrial/Commercial/Utility ⁵	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

¹ A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

² Applies to land and buildings. Exempt from referendum market value tax.

³ Exempt from referendum market value tax.

⁴ Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

⁵ The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

2019/20 Economic Market Value ¹		<u>\$317,183,894²</u>
	2020/21 Assessor's Estimated Market Value	2020/21 Net Tax Capacity
Real Estate	\$302,190,000	\$ 3,902,560
Personal Property	11,190,300	220,598
Total Valuation	<u>\$313,380,300</u>	<u>\$ 4,123,158</u>
Less: Captured Tax Increment Tax Capacity ³		(904,050)
Taxable Net Tax Capacity		<u>\$ 3,219,108</u>

¹ The most recent value available from the Minnesota Department of Revenue.

² According to the Minnesota Department of Revenue, the 2019/20 Assessor's Estimated Market Value (the "AEMV") for the City is about 86.46% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$317,183,894.

³ The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City.

2020/21 NET TAX CAPACITY BY CLASSIFICATION

	2020/21 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$ 1,118,527	27.13%
Agricultural	3,964	0.10%
Commercial/industrial	2,056,195	49.87%
Public utility	31,638	0.77%
Railroad operating property	26,010	0.63%
Non-homestead residential	654,566	15.88%
Commercial & residential seasonal/rec.	11,660	0.28%
Personal property	<u>220,598</u>	<u>5.35%</u>
Total	<u><u>\$ 4,123,158</u></u>	<u><u>100.00%</u></u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity ¹	Taxable Net Tax Capacity ²	Percent +/- in Estimated Market Value
2016/17	\$262,201,700	\$243,218,900	\$3,488,629	\$2,729,592	+8.03%
2017/18	272,644,200	253,368,500	3,658,436	2,844,953	+3.98%
2018/19	289,089,600	270,391,900	3,804,736	2,946,610	+6.03%
2019/20	301,483,200	282,779,100	3,969,738	3,057,108	+4.29%
2020/21	313,380,300	294,834,900	4,123,158	3,219,108	+3.95%

¹ Net Tax Capacity includes tax increment values.

² Taxable Net Tax Capacity does not include tax increment values.

LARGER TAXPAYERS

Taxpayer	Type of Property	2020/21 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Tuffy's Pet Foods, Inc.	Industrial	\$ 318,341	7.72%
Barrel O Fun Snack	Industrial/Commercial	201,487	4.89%
Otter Tail Power Co.	Utility	203,054	4.92%
Grow Perham LLC	Residential	140,202	3.40%
Arvig Enterprises, Inc.	Commercial/Residential	105,400	2.56%
Kenny's Candy Co., Inc.	Industrial	103,722	2.52%
MNDAK Housing Partnership	Industrial	99,972	2.42%
Bongards Creameries	Industrial/Commercial	77,954	1.89%
Tomsche Properties LLC	Commercial	68,152	1.65%
Swanlease LLC	Industrial	60,450	1.47%
Total		<u>\$ 1,378,734</u>	<u>33.44%</u>

City's Total 2020/21 Net Tax Capacity \$4,123,158

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Otter Tail County.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total G.O. debt secured by sales tax revenues (includes the Series 2021B Bonds)*	\$ 4,750,000
Total G.O. debt secured by special assessments and taxes (includes the Series 2021D Bonds)*	9,921,000
Total G.O. debt secured by special assessments, taxes and utility revenues	213,000
Total G.O. debt secured by taxes	1,320,000
Total G.O. debt secured by utility revenues	<u>5,394,000</u>
Total General Obligation Debt*	<u><u>\$21,598,000</u></u>

Revenue Debt (see schedules following)

Total revenue debt secured by gas utility revenues	<u><u>\$ 1,930,000</u></u>
--	----------------------------

Temporary General Obligation Debt

Issue Date	Name of Issue	Final Maturity	Principal Outstanding
5/27/21	Taxable General Obligation Temporary Tax Abatement Bonds (includes the Series 2021C Bonds)*	2/1/24	\$4,180,000

Other Obligations

Issue Date	Original Amount	Purpose	Final Maturity	Principal Outstanding
11/28/94	\$1,000,000	U.S. Department of Agriculture/Farmers Home Administration Promissory Note and Security Agreement for Intermediary Relending Program of Farmers Home Administration	11/28/24	\$107,143
4/24/98	\$775,000	U.S. Department of Agriculture/Farmers Home Administration Promissory Note and Security Agreement for Intermediary Relending Program of Farmers Home Administration	4/24/28	\$221,429

*Preliminary, subject to change.

¹ Outstanding debt is as of the dated date of the Bonds and Concurrent Obligations.

SCHEDULES OF BONDED INDEBTEDNESS

1

DEBT LIMIT

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of the following: (1) obligations payable wholly or partly from special assessments levied against benefitted property (includes the Series 2021D Bonds); (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences (includes the Series 2021B Bonds); (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any public revenue producing convenience; (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4; (7) obligations issued to pay judgments against the City; and (8) other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance (includes the Series 2021C Bonds).

2020/21 Assessor's Estimated Market Value	\$313,380,300
Multiply by 3%	0.03
Statutory Debt Limit	\$ 9,401,409
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes	(1,320,000)
Unused Debt Limit	<u><u>\$ 8,081,409</u></u>

OVERLAPPING DEBT¹

Taxing District	2020/21 Taxable Net Tax Capacity	% In City	Total G.O. Debt ²	City's Proportionate Share
Otter Tail County	\$106,807,733	3.0139%	\$30,055,000	\$ 905,828
I.S.D. No. 549 (Perham-Dent Public Schools)	23,984,919	13.4214%	37,960,000 ³	5,094,763
City's Share of Total Overlapping Debt				<u><u>\$ 6,000,591</u></u>

¹ Overlapping debt is as of the dated date of the Bonds and Concurrent Obligations. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. Does *not* include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

² Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

³ Currently, the State of Minnesota is paying approximately 4.6% of the principal and interest on the Perham-Dent School District's general obligation bonds. Assuming this percentage continues for the life of the bonds, the State's proportionate share of principal is \$2,087,800.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value (\$331,997,688)	Debt/ Current Population Estimate (3,392)
Direct G.O. Debt Secured By:			
Sales Tax Revenue*	\$ 4,750,000		
Special Assessments & Taxes*	9,921,000		
Special Assessments, Taxes & Utility Revenues	213,000		
Taxes	1,320,000		
Utility Revenues	<u>5,394,000</u>		
Total General Obligation Debt (includes the Bonds and the Concurrent Obligations)*	\$ 21,598,000		
Less: G.O. Debt Paid Entirely from Revenues ¹	(10,144,000)		
Tax Supported General Obligation Debt*	\$ 11,454,000	3.45%	\$3,376.77
City's Share of Total Overlapping Debt ²	<u>\$ 6,000,591</u>	<u>1.81%</u>	<u>\$1,769.04</u>
Total*	<u>\$ 17,454,591</u>	<u>5.26%</u>	<u>\$5,145.81</u>

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

In addition to the Concurrent Obligations, the City has no current plans for additional financing in the next 12 months.

¹ Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

² After deducting the City's proportionate share of the agricultural land valuation applicable to the overlapping school districts of \$280,212, the City's net overlapping debt is \$5,720,379, which results in a net overlapping debt/market value ratio of 1.72% and net overlapping debt/current population estimate ratio of \$1,686.43.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date ²	% Collected
2016/17	\$1,291,878	\$ 1,282,662	\$ 1,290,954	99.93%
2017/18	1,372,774	1,359,897	1,369,821	99.78%
2018/19	1,425,647	1,416,189	1,421,708	99.72%
2019/20	1,511,391	1,501,715	1,501,715	99.36%
2020/21	1,570,152		In process of collection	

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.³ Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

The spread of COVID-19 and responses taken by the United States government, state governments, local governments and private industries have caused significant disruptions to the national and State economy. See "RISK FACTORS - Impact of the Spread of COVID-19" herein. Certain states have announced extended deadlines for payment of property taxes, although as of this date Minnesota has not taken such measures. The City cannot predict whether and how much payment of property taxes will be impacted. Any delays or reduction in the receipt of property taxes may materially adversely impact the City's finances and payment of debt obligations, including the Bonds.

¹ This reflects the Final Levy Certification of the City after all adjustments have been made.

² Collections are through December 31, 2020.

³ Second half tax payments on agricultural property are due on November 15th of each year.

TAX CAPACITY RATES¹

	2016/17	2017/18	2018/19	2019/20	2020/21
Otter Tail County	41.116%	41.548%	40.834%	41.175%	41.103%
City of Perham	57.190%	48.253%	48.336%	49.446%	48.776%
I.S.D. No. 549 (Perham-Dent Public Schools)	24.421%	22.028%	19.610%	17.360%	17.901%
Perham Hospital	5.274%	5.428%	5.043%	4.806%	4.505%
Perham HRA	0.733%	0.703%	0.679%	0.654%	0.621%
Pine LID	1.379%	2.571%	2.312%	1.916%	1.619%

Referendum Market Value Rates:

I.S.D. No. 549 (Perham-Dent Public Schools) 0.12232% 0.12159% 0.11176% 0.13295% 0.12822%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Otter Tail County.

LEVY LIMITS

The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. For taxes levied in 2013, payable in 2014, only, the Legislature imposed a one year levy limit on all counties with a population greater than 5,000, and all cities with a population greater than 2,500. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers and Associates.

¹ After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

THE ISSUER

CITY GOVERNMENT

The City was organized as a municipality in 1881. The City operates under a statutory form of government consisting of a five-member City Council of which the Mayor is a voting member. The City Manager and Finance Officer are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 26 full-time, 21 part-time, and four seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Unit

Bargaining Unit	Expiration Date of Current Contract
LELS	December 31, 2022

POST EMPLOYMENT BENEFITS

The City does not have any other post employment benefit liabilities.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds and the Concurrent Obligations or otherwise questioning the validity of the Bonds and the Concurrent Obligations.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, 471.831, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

FUNDS ON HAND (As of March 31, 2021)

Fund	Total Cash and Investments
General	\$ 662,953
Special Revenue	3,197,960
Debt Service	2,230,583
Capital Projects	2,749,953
Enterprise Funds	8,818,201
Trust	59,195
Total Funds on Hand	<u>\$17,718,845</u>

ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	2017	2018	2019
Gas			
Total Operating Revenues	\$ 1,742,498	\$ 1,858,528	\$ 1,986,454
Less: Operating Expenses	<u>(860,079)</u>	<u>(898,451)</u>	<u>(998,733)</u>
Operating Income	\$ 882,419	\$ 960,077	\$ 987,721
Plus: Depreciation	<u>259,041</u>	<u>268,496</u>	<u>272,263</u>
Revenues Available for Debt Service	<u><u>\$ 1,141,460</u></u>	<u><u>\$ 1,228,573</u></u>	<u><u>\$ 1,259,984</u></u>
Sewer and Wastewater			
Total Operating Revenues	\$ 1,338,955	\$ 1,336,141	\$ 1,723,982
Less: Operating Expenses	<u>(1,067,474)</u>	<u>(1,078,907)</u>	<u>(1,122,748)</u>
Operating Income	\$ 271,481	\$ 257,234	\$ 601,234
Plus: Depreciation	<u>419,706</u>	<u>425,460</u>	<u>436,923</u>
Revenues Available for Debt Service	<u><u>\$ 691,187</u></u>	<u><u>\$ 682,694</u></u>	<u><u>\$ 1,038,157</u></u>
Water			
Total Operating Revenues	\$ 754,986	\$ 812,911	\$ 895,885
Less: Operating Expenses	<u>(607,356)</u>	<u>(599,727)</u>	<u>(534,096)</u>
Operating Income	\$ 147,630	\$ 213,184	\$ 361,789
Plus: Depreciation	<u>172,001</u>	<u>181,250</u>	<u>181,257</u>
Revenues Available for Debt Service	<u><u>\$ 319,631</u></u>	<u><u>\$ 394,434</u></u>	<u><u>\$ 543,046</u></u>
Municipal Liquor			
Total Operating Revenues	\$ 889,198	\$ 982,572	\$ 989,236
Less: Operating Expenses	<u>(504,107)</u>	<u>(521,201)</u>	<u>(534,237)</u>
Operating Income	\$ 385,091	\$ 461,371	\$ 454,999
Plus: Depreciation	<u>30,639</u>	<u>31,983</u>	<u>28,498</u>
Revenues Available for Debt Service	<u><u>\$ 415,730</u></u>	<u><u>\$ 493,354</u></u>	<u><u>\$ 483,497</u></u>

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the 2019 audited financial statements.

	FISCAL YEAR ENDING DECEMBER 31				
	2017 Audited	2018 Audited	2019 Audited	2020 Unaudited ¹	2021 Adopted Budget ²
COMBINED STATEMENT					
Revenues					
Property taxes	\$359,022	\$428,321	\$464,637	\$522,200	\$529,053
Special assessments	2,111	2,311	1,156	0	0
Licenses and permits	77,606	116,785	107,937	143,910	99,650
Intergovernmental	695,734	705,170	686,457	945,069	692,384
Charges for services	96,209	119,451	92,691	108,144	96,930
Fine and forfeitures	14,378	18,235	13,698	9,388	15,400
Miscellaneous	130,942	140,703	153,526	88,019	100,600
Total Revenues	\$1,376,002	\$1,530,976	\$1,520,102	\$1,816,730	\$1,534,017
Expenditures					
Current:					
General government	\$285,418	\$302,126	\$316,771	\$435,054	\$335,042
Public safety	634,581	694,859	721,625	773,139	784,168
Public works	313,323	343,691	309,971	266,136	264,306
Culture and recreation	356,356	351,513	349,066	351,690	333,976
Airport	37,762	67,038	39,589	64,565	51,775
Total Expenditures	\$1,627,440	\$1,759,227	\$1,737,022	\$1,890,584	\$1,769,267
Excess of revenues over (under) expenditures	(\$251,438)	(\$228,251)	(\$216,920)	(\$73,854)	(\$235,250)
Other Financing Sources (Uses)					
Sale of capital asset	\$0	\$2,400	\$10,015	\$0	\$0
Transfers in	253,358	243,909	234,250	234,250	235,250
Transfers (out)	0	0	0	(65,374)	0
Total Other Financing Sources (Uses)	253,358	246,309	244,265	168,876	235,250
Net changes in Fund Balances	\$1,920	\$18,058	\$27,345	\$95,023	\$0
General Fund Balance January 1	\$871,688	\$873,608	\$891,666	\$919,011	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance December 31	\$873,608	\$891,666	\$919,011	\$1,014,034	
DETAILS OF DECEMBER 31 FUND BALANCE					
Unassigned	\$873,608	\$891,666	\$919,011	1,014,034	
Total	\$873,608	\$891,666	\$919,011	\$1,014,034	

¹ Unaudited data is as of March 30, 2021.

² The 2021 budget was adopted on December 14, 2020.

GENERAL INFORMATION

LOCATION

The City, with a 2010 U.S. Census population of 2,985 and a current population estimate of 3,392, and comprising an area of 1,601 acres, is located approximately 175 miles northwest of the Minneapolis-St. Paul metropolitan area.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Perham Health & Sanford Health	Hospital and nursing home	625
Shearer's Snack Foods	Manufacturer of snack foods	550
KLN Enterprises, Inc.	Manufacturer of snack foods	500 ²
I.S.D. No. 549 (Perham-Dent Public Schools)	Elementary and secondary education	264
Arvig Enterprises, Inc.	Telecommunications provider and services	202
Bongards Creamery	Produce cheese & whey reprocessing	123
Kit Masters/Swan Machine	Truck equipment and parts	100
Perham Area Community Center	Community center	100
Industrial Finishing Services	Painting and wall covering contractors	93
Lakes Area Co-Op	Cooperatives	85

Source: *Data Axle Reference Solutions, written and telephone survey (April 2021), and the Minnesota Department of Employment and Economic Development.*

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data. Estimates provided are accurate as of the date noted and may not reflect changes in the number of employees resulting from the current COVID-19 pandemic. (See "Risk Factors - Impact of the Spread of COVID-19").

² Includes both KLN Family Brands, Tuffy's Pet Foods and Kenny's Candy & Confections, at two locations in the City.

BUILDING PERMITS

	2017	2018	2019	2020	2021 ¹
<u>New Single Family Homes</u>					
No. of building permits	9	7	3	5	0
Valuation	\$178,000	\$1,157,000	\$464,000	\$993,200	\$0
<u>New Multiple Family Buildings</u>					
No. of building permits	1	0	0	23	0
Valuation	\$1,805,000	\$0	\$0	\$3,599,980	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	4	4	4	2	0
Valuation	\$1,544,100	\$11,785,000	\$8,238,000	\$7,328,748	\$0
<u>Total Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	111	91	99	143	11
Valuation	\$8,738,974	\$18,878,708	\$12,174,166	\$28,215,942	\$5,021,491

Source: The City.

¹ As of March 31, 2021

U.S. CENSUS DATA

Population Trend: The City

2000 U.S. Census population	2,559
2010 U.S. Census population	2,985
2019 State Demographer's Estimate	3,392
Percent of Change 2000 - 2010	+ 16.65%

Income and Age Statistics

	The City	Otter Tail County	State of Minnesota	United States
2019 per capita income	\$29,341	\$30,846	\$36,245	\$32,621
2019 median household income	\$46,128	\$57,131	\$68,411	\$60,293
2019 median family income	\$55,266	\$70,578	\$86,204	\$73,965
2019 median gross rent	\$705	\$669	\$944	\$1,023
2019 median value owner occupied units	\$145,000	\$179,500	\$211,800	\$204,900
2019 median age	40.9 yrs.	46.7 yrs.	37.9 yrs.	37.9 yrs.
	State of Minnesota		United States	
City % of 2019 per capita income	80.95%		89.95%	
City % of 2019 median family income	64.11%		74.72%	

Housing Statistics

	The City	2010	2019	Percent of Change
All Housing Units		1,304	1,526	17.02%

Source: 2000 and 2010 Census of Population and Housing, and 2019 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov/cedsci>).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Otter Tail County	Otter Tail County	Otter Tail County	State of Minnesota
2017	30,301		3.9%	3.4%
2018	30,313		3.6%	2.9%
2019	30,763		4.2%	3.3%
2020	28,438		6.2%	5.1%
2021, February	28,499		5.6%	4.6%

Source: Minnesota Department of Employment and Economic Development.

APPENDIX A

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

**CITY OF PERHAM
PERHAM, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

TABLE OF CONTENTS

TABLE OF CONTENTS – Page 2

<u>Exhibit</u>	<u>Exhibit</u>
SUPPLEMENTARY INFORMATION	
City Officials	
Independent Auditor's Report	E-1
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	A-1
Statement of Activities	A-2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	A-3
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	A-4
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – in Fund Balances of Governmental Funds to the Statement of Activities	A-5
Statement of Net Position – Proprietary Funds	A-6
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	A-7
Statement of Cash Flows – Proprietary Funds	A-8
Notes to the Financial Statements	A-9
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual General Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual TIF District Fund	
Schedule of City Contributions	
Schedule of City's Share of Net Pension Liability	
Schedule of Net Pension Liability and Related Ratios – Perham Firefighters Relief Association	
Schedule of Employer Contributions – Perham Firefighters Relief Association	
Notes to the Required Supplementary Information	

CITY OF PERHAM, MINNESOTA
CITY OFFICIALS
YEAR ENDED DECEMBER 31, 2019

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Perham, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements. We were not engaged to audit the financial statements of the discretely presented component units. These financial statements collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the discretely presented component units.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Disclaimer Opinion on the Discretely Presented Component Units

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

Disclaimer Opinion

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

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Perham, Minnesota, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of City contributions, schedule of City's share of net pension liability, schedule of net pension liability and related ratios, schedule of employer contributions, and notes to the required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Perham, Minnesota's basic financial statements. The combining nonmajor fund statements, schedule of changes in fund balances and net position, and schedule of indebtedness as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, schedule of changes in fund balances and net position, and schedule of indebtedness are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2020, on our consideration of the City of Perham, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

June 16, 2020

**CITY OF PERHAM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

As management of the City of Perham, we offer readers of the City of Perham's financial statements this narrative overview and analysis of the financial activities of the City of Perham for the fiscal year ended December 31, 2019. Please read it in conjunction with the City's financial statements, which immediately follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$52,057,202 (net year position). Of this amount, \$9,466,786 may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unrestricted fund balance for the general fund was \$919,011, or 53% of the total general fund expenditures, an increase of \$27,345 over the year ended 2018.

This page intentionally left blank

Overview of the Financial Statements

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

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

**CITY OF PERHAM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

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

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

The City maintains 29 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, TIF Districts, 2015 G.O. Improvement Bonds, 2019 G.O. Improvement Project, and Permanent Improvement F-Fund, all of which are considered major funds. Data from the other 23 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

Proprietary Funds. The City maintains five different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its liquor operations, gas, sewer and wastewater, water, and recycling.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements provide separate information for the liquor operations, gas, sewer and wastewater, and water, all of which are considered major funds.

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

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

**CITY OF PERHAM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$52,057,202 at the close of the most recent fiscal year.

Statement of Net Position

	Governmental Activities		Business-type Activities		Total 2019	Total 2018
	2019	2018	2019	2018		
Current and Other Assets	\$ 13,489,833	\$ 13,063,940	\$ 8,960,723	\$ 7,794,206	\$ 22,460,556	\$ 20,888,146
Capital Assets	28,848,817	27,437,373	24,803,211	24,707,806	53,652,028	52,145,179
Total Assets	<u>42,348,650</u>	<u>40,501,313</u>	<u>33,763,934</u>	<u>32,502,012</u>	<u>76,112,584</u>	<u>73,003,325</u>
Deferred Outflows of Resources	508,113	577,757	51,591	109,018	559,704	686,775
Long-term Liabilities	14,330,284	13,033,831	8,006,605	9,080,000	22,336,889	22,113,881
Other Liabilities	644,171	414,493	907,880	1,007,059	1,562,031	1,421,532
Total Liabilities	<u>14,974,455</u>	<u>13,448,324</u>	<u>8,914,465</u>	<u>10,087,059</u>	<u>23,888,320</u>	<u>23,555,383</u>
Deferred Inflows of Resources	615,801	809,974	110,365	146,707	726,166	956,681
Net Position						
Net Investment in Capital Assets	15,860,240	15,835,692	17,407,643	16,262,478	33,267,883	32,098,470
Restricted	8,503,918	7,927,014	8,188,645	992,231	9,322,963	8,919,245
Unrestricted	2,902,349	3,057,766	6,584,407	5,122,556	9,468,756	8,180,321
Total Net Position	<u>\$ 27,266,507</u>	<u>\$ 26,820,772</u>	<u>\$ 24,790,665</u>	<u>\$ 22,377,264</u>	<u>\$ 52,057,202</u>	<u>\$ 49,198,036</u>

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both held true for the prior year.

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

**CITY OF PERHAM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$53,652,028 (net of accumulated depreciation). This investment in capital assets includes land, construction in process, buildings, improvements other than buildings (streets, storm sewer, distribution system, and other infrastructure), and machinery and equipment.

**Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		\$ 2019 Total
	2019	2018	2019	2018	
Land	\$ 531,274	\$ 531,274	\$ 1,517,234	\$ 1,517,234	\$ 2,048,508
Construction In Process	554,074	90,063			554,074
Buildings	6,412,908	6,679,820	718,369	743,663	7,131,277
Improvements Other Than Buildings					7,423,483
Machinery and Equipment	19,238,835	18,084,561	20,201,239	20,022,417	39,440,074
Total	2,111,726	2,051,655	2,366,369	2,424,492	38,106,978
	<u>\$ 28,848,817</u>	<u>\$ 27,437,373</u>	<u>\$ 24,803,211</u>	<u>\$ 24,707,906</u>	<u>\$ 52,145,179</u>

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

- Street Improvement projects

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

Long-term Liabilities. At the end of the current fiscal year, the City had \$20,498,719 in bonds and other long-term obligations.

Outstanding Debt

	Governmental Activities		Business-type Activities		\$ 2019 Total
	2019	2018	2019	2018	
General Obligation Bonds	\$ 10,091,000	\$ 9,354,000	\$ 1,165,000	\$ 1,120,000	\$ 11,256,000
General Obligation Revenue Bonds	2,581,804	2,051,000	4,053,000	4,372,000	6,634,804
Revenue Bonds	469,915	577,248	2,138,000	2,605,000	2,138,000
Loans Payable					469,915
Total	<u>\$ 13,142,719</u>	<u>\$ 11,982,248</u>	<u>\$ 7,356,000</u>	<u>\$ 8,397,000</u>	<u>\$ 20,498,719</u>

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

Economic Factors

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

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

The liquor fund has again experienced increased revenues attributed to a larger customer base, a wide variety of inventory, competitive pricing, and its location with highway exposure. The gas fund has proven profitable and the City continues to explore future growth opportunities. Associated debt may be necessary if such expansions are found to be financially feasible.

**CITY OF PERHAM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Generally, the economic conditions of the community are stable. The City has experienced major additions in both commercial and industry. The 2019 building permits totaled over \$11,161,537 with commercial and industrial additions leading to an increase of job growth. Job growth is steadily increasing. Property valuations have increased. Future years will require additional bonding and construction projects related to replacing and improving existing infrastructure and utility extensions to keep pace with the community's continued industrial, commercial, and residential growth.

Requests for Information

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

CITY OF PERHAM, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2019

Exhibit A-1

	Primary Government			Component Units (UNAUDITED)		
	Governmental Activities	Business-type Activities	Total	Perham Area Community Center	Perham Golf Course	
ASSETS						
Cash and Investments	\$ 6,846,993	\$ 6,297,990	\$ 13,144,983	\$ 492,825	\$ 2,389	
Receivables						
Accounts (Net of Allowance)	107,617	1,020,318	1,127,935	29,925		
Interest Receivable	47,167		47,167			
Current Taxes	20,513		20,513			
Delinquent Taxes	25,591		25,591			
Special Assessments	4,140,023		4,140,023			
Notes Receivable (Net of Allowance)	2,366,224	188,502	2,554,726			
Internal Balances	(262,442)	262,442				
Inventory		372,826	372,826	5,102	36,811	
Restricted Cash:						
Bond Covenants		818,645	818,645			
Deferred Charges	208,147		208,147	1,301		
Net Pension Asset - VFD						
Capital Assets						
Land	531,274	1,517,234	2,048,508	41,130		
Construction In Process	554,074		554,074	58,291		
Buildings	9,332,548	1,002,684	10,335,232	3,236,777		
Improvements Other than Buildings	26,866,353	31,428,405	58,294,758	476,366		
Machinery and Equipment	4,568,866	3,651,386	8,220,252	793,460	1,175,258	
Less: Accumulated Depreciation	(13,004,298)	(12,796,498)	(25,800,796)	(2,693,999)	(1,134,128)	
Total Capital Assets, Net of Depreciation	28,848,817	24,803,211	53,652,028	1,435,659	517,496	
TOTAL ASSETS	42,348,650	33,763,934	76,112,584	1,964,812	556,696	
DEFERRED OUTFLOWS OF RESOURCES						
Cost Sharing Defined Benefit Pension Plan	508,113	51,591	559,704			
TOTAL DEFERRED OUTFLOWS OF RESOURCES	508,113	51,591	559,704			
LIABILITIES						
Accounts Payable	426,740	790,203	1,216,943	26,602	11,830	
Accrued Payroll	10,207	6,568	16,775	28,164		
Payroll Withholding	72,470		72,470			
Consumer Deposits		65,325	65,325			
Unearned Revenue		3,794	3,794	151,782		
Accrued Interest Payable	134,754	41,970	176,724			
Noncurrent Liabilities						
Net Pension Liability	756,498	530,902	1,287,400			
Due Within One Year	1,316,708	736,429	2,053,137	188,502		
Due in More than One Year	12,257,078	6,739,274	18,996,352	400,000		
TOTAL LIABILITIES	14,974,455	8,914,465	23,888,920	206,548	600,332	
DEFERRED INFLOWS OF RESOURCES						
Cost Sharing Defined Benefit Pension Plan	615,801	110,365	726,166			
TOTAL DEFERRED INFLOWS OF RESOURCES	615,801	110,365	726,166			
NET POSITION						
Net Investment in Capital Assets	15,860,240	17,407,643	33,267,883	1,225,586	(71,006)	
Restricted for:						
Park	50,000		50,000			
TIF Districts	1,024,984		1,024,984			
Marketing	44,910		44,910			
Debt Service	7,384,024		7,384,024			
Bond Covenants		818,645	818,645			
Unrestricted	2,902,349	6,564,407	9,466,756	532,678	27,370	
TOTAL NET POSITION	\$ 27,266,507	\$ 24,790,695	\$ 52,057,202	\$ 1,758,264	\$ (43,636)	

See Notes to the Financial Statements

CITY OF PERHAM, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

Exhibit A-2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units (UNAUDITED)	
					Primary Government		Total		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Perham Area Community Center	Perham Golf Course	
Primary Government:									
Governmental Activities:									
General Government	\$ 388,725	\$ 166,243	\$ 42,890	\$ 852,732	\$ (179,592)	\$ (793,156)	\$ (179,592)	\$ (793,156)	\$ (793,156)
Public Safety	1,085,229	71,150	220,923		(264,578)		(264,578)		
Public Works	1,168,523	46,135	5,078		(773,830)		(773,830)		
Culture and Recreation	833,339	7,951	51,558		(787,982)		(787,982)		
Economic Development	898,731	29,260	81,489		(15,352)		(15,352)		
Airport	99,845	61,464	23,029		(284,192)		(284,192)		
Interest on Long-term Debt	295,658		11,466						
Total Governmental Activities	<u>4,770,050</u>	<u>382,203</u>	<u>436,433</u>	<u>852,732</u>	<u>(3,098,682)</u>		<u>(3,098,682)</u>		
Business-type Activities:									
Municipal Liquor	3,048,103	3,502,543				454,440	454,440		
Gas	5,932,323	6,815,970				883,647	883,647		
Sewer and Wastewater	1,159,719	1,725,877				566,158	566,158		
Water	572,075	896,125				324,050	324,050		
Recycling	92,248	108,879				16,631	16,631		
Total Business-type Activities	<u>10,804,468</u>	<u>13,049,394</u>				<u>2,244,926</u>	<u>2,244,926</u>		
Total Primary Government	<u>\$ 15,574,518</u>	<u>\$ 13,431,597</u>	<u>\$ 436,433</u>	<u>\$ 852,732</u>	<u>(3,098,682)</u>	<u>2,244,926</u>	<u>(853,756)</u>		
Component Unit:									
Perham Area Community Center	\$ 1,194,886	\$ 1,005,859	\$ 18,713					(170,314)	
Perham Golf Course	<u>1,272,787</u>	<u>1,059,793</u>	<u>18,020</u>						(194,974)
Total Component Units	<u>\$ 2,467,673</u>	<u>\$ 2,065,652</u>	<u>\$ 18,020</u>	<u>\$ 18,713</u>				<u>(170,314)</u>	<u>(194,974)</u>
General Revenues:									
Property Taxes			2,420,031			2,420,031			
Hotel/Motel Taxes			48,555			48,555			
Taxes Franchise Fees			77,675			77,675			
Unrestricted State Aid			600,846	1,883		602,729			
Unrestricted Investment Earnings			325,199	141,553		466,752		3,754	
Gain on Sale of Capital Assets			46,015	3,700		49,715			
Other General Revenue			47,465			47,465			
Transfers			(21,369)	21,369					
Total General Revenues and Transfers			<u>3,544,417</u>	<u>168,505</u>	<u>3,712,922</u>		<u>3,754</u>		
Change in Net Position			445,735	2,413,431	2,859,166		(166,560)		(194,974)
Net Position - January 1			<u>26,820,772</u>	<u>22,377,264</u>	<u>49,198,036</u>		<u>1,924,824</u>		<u>151,338</u>
Net Position - December 31			<u>\$ 27,266,507</u>	<u>\$ 24,790,695</u>	<u>\$ 52,057,202</u>		<u>\$ 1,758,264</u>		<u>\$ (43,636)</u>

See Notes to the Financial Statements

CITY OF PERHAM, MINNESOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2019

Exhibit A-3

	General	TIF Districts	2015 G.O. Improve- ment Bonds	2019 G.O. Improve- ment Bonds	2019 Improve- ment Project	Permanent Improvement	Total Nonmajor Funds	Total Govern- mental Funds
ASSETS								
Cash and Investments	\$ 839,292	\$ 1,020,710	\$ 504,752	\$ 153,647	\$ 167,602	\$ 528,183	\$ 3,632,807	\$ 6,846,993
Receivables								
Accounts	39,487					43,755	24,375	107,617
Interest	47,167							47,167
Tax								
Current	6,704		1,376			2,444	9,989	20,513
Delinquent	5,254	9,420	1,079			1,916	7,922	25,591
Special Assessments								
Delinquent	43						734	777
Noncurrent			722,465	809,807		296,881	2,310,093	4,139,246
Notes Receivable							2,366,224	2,366,224
Due from Other Funds	134,825							134,825
TOTAL ASSETS	\$ 1,072,772	\$ 1,030,130	\$ 1,229,672	\$ 963,454	\$ 167,602	\$ 873,179	\$ 8,352,144	\$ 13,688,953
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
LIABILITIES								
Accounts Payable	\$ 67,195	\$ 5,142	\$	\$	\$ 110,311	\$ 30,745	\$ 213,347	\$ 426,740
Accrued Payroll	8,799						1,408	10,207
Payroll Withholding	72,470							72,470
Due to Other Funds						262,442	134,825	397,267
Total Liabilities	\$ 148,464	\$ 5,142	\$	\$	\$ 110,311	\$ 293,187	\$ 349,580	\$ 906,684
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue	5,297	9,422	723,544	809,807		298,797	2,318,749	4,165,616
Total Deferred Inflows of Resources	5,297	9,422	723,544	809,807		298,797	2,318,749	4,165,616
FUND BALANCES								
Nonspendable - Endowment							50,000	50,000
Restricted for:								
TIF District	1,015,566							1,015,566
Marketing							44,910	44,910
Debt Service		506,128	153,647				3,483,892	4,143,667
Committed for:								
Development							431,919	431,919
Revolving Loans							1,352,112	1,352,112
Library							86,446	86,446
Fire and Rescue							146,923	146,923
Storm Sewer							177,937	177,937
Assigned for:								
Fairgrounds						120,870		120,870
PACC						28,904		28,904
Golf Course						12,126		12,126
Park							11,082	11,082
Capital Projects					57,291	119,295	110,696	287,282
Unassigned	919,011						(212,102)	706,909
Total Fund Balances	919,011	1,015,566	506,128	153,647	57,291	281,195	5,683,815	8,616,653
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,072,772	\$ 1,030,130	\$ 1,229,672	\$ 963,454	\$ 167,602	\$ 873,179	\$ 8,352,144	\$ 13,688,953

See Notes to the Financial Statements

CITY OF PERHAM, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019

Exhibit A-4

Total fund balances - governmental funds	\$	8,616,653
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		
Cost of capital assets		41,853,115
Less accumulated depreciation		(13,004,298)
Deferred outflows of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		508,113
Long-term liabilities used in governmental activities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Bonds		(12,672,804)
Net Pension Liability		(756,498)
Other Long-Term Obligations		(469,915)
Issuance Premiums and Discounts (to be amortized as interest expense)		(315,773)
Deferred inflows of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources, and, therefore are not reported in the governmental funds.		(615,801)
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the debt service fund.		(134,754)
Compensated absence payable is not due and payable in the current period and, therefore, is not reported as a liability in the funds.		(115,294)
Net pension assets are not financial resources and, therefore, are not reported in the governmental funds.		208,147
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		4,165,616
Net position - governmental activities	\$	<u>27,266,507</u>

CITY OF PERHAM, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019

Exhibit A-5

	General	TIF Districts	2015 G.O. Improve- ment Bonds	2019 G.O. Improve- ment Bonds	2019 Improve- ment Project	Permanent Improve- ment	Total Nonmajor Funds	Total Govern- mental Funds
REVENUES								
Property Taxes	\$ 464,637	\$ 976,379	\$ 96,138	\$	\$ 169,581	\$ 703,014	\$ 2,409,749	
Hotel/Motel Tax						48,555	48,555	
Special Assessments	1,156		97,245	113,625		24,207	387,147	623,380
Licenses and Permits	107,937							107,937
Intergovernmental								
Federal							11,466	11,466
State	678,731					106,940	54,004	839,675
Local	7,726						157,593	165,319
Charges for Services	92,691						123,802	216,493
Fines and Forfeitures	13,698							13,698
Miscellaneous								
Interest on Loans Receivable							76,489	76,489
Interest on Investments	20,065	14,893	9,866		3,858	17,960	90,690	157,332
Rents						46,348		46,348
Contributions	37,041					3,200	15,341	55,582
Reimbursements	15,114					50,000	13,661	78,775
Other Receipts	81,306					1,851	12,504	95,661
Total Revenues	<u>1,520,102</u>	<u>991,272</u>	<u>203,249</u>	<u>113,625</u>	<u>3,858</u>	<u>420,087</u>	<u>1,694,266</u>	<u>4,946,459</u>
EXPENDITURES								
Current								
General Government	316,771							316,771
Public Safety	721,625						473,415	1,195,040
Public Works	309,971						29,546	339,517
Culture and Recreation	349,066						214,392	563,458
Economic Development		567,745					345,995	913,740
Airport	39,589							39,589
Debt Service								
Principal		190,799				89,750	1,012,828	1,293,377
Interest		50,589				27,135	215,055	292,779
Fees		475					3,532	4,007
Capital Outlay								
General Government						17,114		17,114
Public Safety						7,142		7,142
Public Works				2,587,080		266,063	64,139	2,917,282
Culture and Recreation						49,530	144,974	194,504
Airport						140,772		140,772
Total Expenditures	<u>1,737,022</u>	<u>567,745</u>	<u>241,863</u>	<u>113,625</u>	<u>2,587,080</u>	<u>597,506</u>	<u>2,503,876</u>	<u>8,235,092</u>
REVENUES OVER (UNDER) EXPENDITURES	(216,920)	423,527	(38,614)	113,625	(2,583,222)	(177,419)	(809,610)	(3,288,633)
OTHER FINANCING SOURCES (USES)								
Bond Issued					2,453,804			2,453,804
Bond Premium Issued					135,734			135,734
Sale of Capital Asset	10,015						36,000	46,015
Transfers In	234,250		99,467	40,022	146,412	248,167	429,847	1,198,165
Transfers Out		(269,000)			(40,022)	(146,412)	(21,000)	(476,434)
Total Other Financing Sources (Uses)	<u>244,265</u>	<u>(269,000)</u>	<u>99,467</u>	<u>40,022</u>	<u>2,695,928</u>	<u>101,755</u>	<u>444,847</u>	<u>3,357,284</u>
NET CHANGE IN FUND BALANCES	27,345	154,527	60,853	153,647	112,706	(75,664)	(364,763)	68,651
FUND BALANCE, JANUARY 1	891,666	861,039	445,275		(55,415)	356,859	6,048,578	8,548,002
FUND BALANCE, DECEMBER 31	\$ 919,011	\$ 1,015,566	\$ 506,128	\$ 153,647	\$ 57,291	\$ 281,195	\$ 5,683,815	\$ 8,616,653

See Notes to the Financial Statements

CITY OF PERHAM, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

Exhibit A-6

Total net change in fund balances - governmental funds	\$ 68,651
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	2,682,262
Depreciation expense	(1,270,818)
Proceeds from long-term debt provide current financial resources to governmental funds, but the proceeds increase long-term liabilities in the statement of net position.	(2,453,804)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,293,333
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Also, governmental funds report the effect of discounts when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(138,570)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	244,681
Change in deferred outflows and inflows of resources related to net pension liability	124,529
Change in net pension asset	(87,941)
In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid.)	
Compensated Absences	4,632
Net Pension Liability	<u>(21,220)</u>
Change in net position - governmental activities	\$ <u>445,735</u>

CITY OF PERHAM, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

Exhibit A-7

	Gas	Sewer and Wastewater	Water	Municipal Liquor	Nonmajor Recycling	Totals
ASSETS						
CURRENT ASSETS						
Cash and Investments	\$ 1,365,648	\$ 1,513,668	\$ 1,657,431	\$ 1,647,092	\$ 114,151	\$ 6,297,990
Accounts Receivable (Net of Allowance)	681,820	272,823	56,232	365	9,078	1,020,318
Notes Receivable	188,502					188,502
Due from Other Funds			262,442			262,442
Inventory				372,826		372,826
Total Current Assets	2,235,970	1,786,491	1,976,105	2,020,283	123,229	8,142,078
NONCURRENT ASSETS						
Restricted Cash:						
Bond Covenants		818,645				818,645
Capital Assets						
Land	7,000	779,878	509,593	220,763		1,517,234
Buildings	6,000	45,210		951,474		1,002,684
Machinery and Equipment	2,561,227	733,576	112,833	144,101	99,649	3,651,386
Improvements Other than Buildings	8,877,088	14,765,381	7,785,936			31,428,405
Less: Accumulated Depreciation	(4,576,982)	(5,403,224)	(2,408,371)	(336,450)	(71,471)	(12,796,498)
Total Capital Assets	6,874,333	10,920,821	5,999,991	979,888	28,178	24,803,211
Total Noncurrent Assets	6,874,333	11,739,466	5,999,991	979,888	28,178	25,621,856
Total Assets	9,110,303	13,525,957	7,976,096	3,000,171	151,407	33,763,934
DEFERRED OUTFLOWS OF RESOURCES						
Cost Sharing Defined Benefit Pension Plan	16,599	9,421	9,421	15,701	449	51,591
Total Deferred Outflows of Resources	16,599	9,421	9,421	15,701	449	51,591
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable	579,123	32,114	7,893	165,869	5,204	790,203
Accrued Payroll	1,800	1,016	1,016	2,580	156	6,568
Consumer Deposits	62,425		2,900			65,325
Accrued Interest Payable	14,617	14,605	12,748			41,970
Unearned Revenue	3,794					3,794
Current Portion - Long Term Liabilities	399,124	194,788	135,233	7,284		736,429
Total Current Liabilities	1,060,883	242,523	159,790	175,733	5,360	1,644,289
NONCURRENT LIABILITIES						
Bonds Payable, Net	3,236,530	2,868,038	1,291,000			7,395,568
Compensated Absences	31,937	15,806	15,806	15,919	667	80,135
Net Pension Liability	170,811	96,947	96,947	161,579	4,618	530,902
Less: Current Portion of Long Term Liabilities	(399,124)	(194,788)	(135,233)	(7,284)		(736,429)
Total Noncurrent Liabilities	3,040,154	2,786,003	1,268,520	170,214	5,285	7,270,176
Total Liabilities	4,101,037	3,028,526	1,428,310	345,947	10,645	8,914,465
DEFERRED INFLOWS OF RESOURCES						
Cost Sharing Defined Benefit Pension Plan	35,508	20,154	20,154	33,589	960	110,365
Total Deferred Inflows of Resources	35,508	20,154	20,154	33,589	960	110,365
NET POSITION						
Net Investment in Capital Assets	3,637,803	8,052,783	4,708,991	979,888	28,178	17,407,643
Restricted for Bond Covenants		818,645				818,645
Unrestricted	1,352,554	1,615,270	1,828,062	1,656,448	112,073	6,564,407
Total Net Position	\$ 4,990,357	\$ 10,486,698	\$ 6,537,053	\$ 2,636,336	\$ 140,251	\$ 24,790,695

See Notes to the Financial Statements

CITY OF PERHAM, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019

Exhibit A-8

	Gas	Sewer and Wastewater	Water	Municipal Liquor	Nonmajor Recycling	Totals
OPERATING REVENUES						
Sales	\$ 6,676,916	\$	\$	\$ 3,501,502	\$	\$ 10,178,418
Cost of Sales	4,813,101			2,512,596		7,325,697
Gross Profit	1,863,815			988,906		2,852,721
Charges for Services	18,293	1,607,116	883,280		107,821	2,616,510
Other Services	104,346	116,866	12,605	330	1,031	235,178
Total Operating Revenues	1,986,454	1,723,982	895,885	989,236	108,852	5,704,409
OPERATING EXPENSES						
Purchased Services					55,384	55,384
Professional Fees	156,122	34,980	54,084	16,756	56	261,998
Salaries and Benefits	346,967	187,249	188,023	340,998	24,041	1,087,278
Utilities	11,261	336,594	43,502	18,567		409,924
Maintenance and Supplies	109,961	68,691	45,950	22,707	3,451	250,760
Insurance	16,803	18,614	5,515	8,897	626	50,455
Depreciation	272,263	436,923	181,257	28,498	6,097	925,038
Other Expenses	85,356	39,697	15,765	97,814	2,593	241,225
Total Operating Expenses	998,733	1,122,748	534,096	534,237	92,248	3,282,062
Income	987,721	601,234	361,789	454,999	16,604	2,422,347
NONOPERATING REVENUE (EXPENSE)						
Intergovernmental						
State	741	432	370	309	31	1,883
Interest on Investments	30,418	40,362	40,392	28,422	1,959	141,553
Refunds and Reimbursements	16,415	1,895	240	711	27	19,288
Gain on Sale of Capital Asset			3,700			3,700
Contributions Made	(5,000)			(1,270)		(6,270)
Interest Expense	(115,489)	(36,971)	(37,979)			(190,439)
Total Nonoperating Revenue (Expense)	(72,915)	5,718	6,723	28,172	2,017	(30,285)
Income before Contributions and Transfers	914,806	606,952	368,512	483,171	18,621	2,392,062
Capital Contributions		310,600	432,500			743,100
Transfers Out	(203,389)	(145,887)	(173,205)	(199,250)		(721,731)
Change in Net Position	711,417	771,665	627,807	283,921	18,621	2,413,431
TOTAL NET POSITION, JANUARY 1	4,278,940	9,715,033	5,909,246	2,352,415	121,630	22,377,264
TOTAL NET POSITION, DECEMBER 31	\$ 4,990,357	\$ 10,486,698	\$ 6,537,053	\$ 2,636,336	\$ 140,251	\$ 24,790,695

See Notes to the Financial Statements

CITY OF PERHAM, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019

Exhibit A-9

	Gas	Sewer and Wastewater	Water	Municipal Liquor	Nonmajor Recycling	Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers and Users	\$ 6,888,162	\$ 1,623,408	\$ 899,164	\$ 3,501,756	\$ 107,196	\$ 13,019,686
Receipts from Interfund Services Provided	4,687					4,687
Payments to Suppliers	(5,247,646)	(516,843)	(201,237)	(2,685,192)	(61,689)	(8,712,607)
Payments for Interfund Services Used		(50)	(339)	(4,298)		(4,687)
Payments to Employees	(343,534)	(190,260)	(191,282)	(339,274)	(23,444)	(1,087,794)
Net Cash Provided by Operating Activities	<u>1,301,669</u>	<u>916,255</u>	<u>506,306</u>	<u>472,992</u>	<u>22,063</u>	<u>3,219,285</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Change in Interfund Loans			38,538			38,538
Nonoperating Revenue	17,156	2,326	605	1,020	60	21,167
Changes in Note Receivable	(175,345)					(175,345)
Nonoperating Expense	(5,000)			(1,270)		(6,270)
Transfers to Other Funds	(203,389)	(145,887)	(173,205)	(199,250)		(721,731)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(366,578)</u>	<u>(143,561)</u>	<u>(134,062)</u>	<u>(199,500)</u>	<u>60</u>	<u>(843,641)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Capital Assets	(225,958)	(37,976)	(2,850)	(10,560)		(277,344)
Proceeds from Sale of Capital Asset			3,700			3,700
Proceeds from Sale of Bonds	2,138,000					2,138,000
Payment of Long-Term Debt	(2,775,000)	(239,000)	(165,000)			(3,179,000)
Interest on Long-Term Debt	(123,541)	(44,168)	(40,017)			(207,726)
Net Cash Used by Capital and Related Financing Activities	<u>(986,499)</u>	<u>(321,144)</u>	<u>(204,167)</u>	<u>(10,560)</u>		<u>(1,522,370)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest Earnings	30,418	40,362	40,388	28,422	1,959	141,549
Net Cash Provided by Investing Activities	<u>30,418</u>	<u>40,362</u>	<u>40,388</u>	<u>28,422</u>	<u>1,959</u>	<u>141,549</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS						
	(20,990)	491,912	208,465	291,354	24,082	994,823
CASH AND CASH EQUIVALENTS, JANUARY 1	1,386,638	1,840,401	1,448,966	1,355,738	90,069	6,121,812
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 1,365,648	\$ 2,332,313	\$ 1,657,431	\$ 1,647,092	\$ 114,151	\$ 7,116,635
Reconciliation of Cash, Cash Equivalents, and Restricted Cash						
Cash and Investments	\$ 1,365,648	\$ 1,513,668	\$ 1,657,431	\$ 1,647,092	\$ 114,151	\$ 6,297,990
Restricted Cash - Bond Covenants		818,645				818,645
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$ 1,365,648</u>	<u>\$ 2,332,313</u>	<u>\$ 1,657,431</u>	<u>\$ 1,647,092</u>	<u>\$ 114,151</u>	<u>\$ 7,116,635</u>

cont.

See Notes to the Financial Statements

CITY OF PERHAM, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019

Exhibit A-9

	Gas	Sewer and Wastewater	Water	Municipal Liquor	Nonmajor Recycling	Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Income	\$ 987,721	\$ 601,234	\$ 361,789	\$ 454,999	\$ 16,604	\$ 2,422,347
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities						
Depreciation	272,263	436,923	181,257	28,498	6,097	925,038
Change in:						
Accounts Receivable	87,482	(100,574)	2,079	(76)	(1,656)	(12,745)
Inventory				(22,143)		(22,143)
Deferred Outflows of Resources	18,476	10,487	10,487	17,478	499	57,427
Accounts Payable	(55,042)	(18,317)	(36,760)	9,990	421	(99,708)
Accrued Payroll	668	340	340	644	43	2,035
Unearned Revenue	(888)					(888)
Compensated Absences	(1,384)	(5,707)	(5,955)	(2,846)	442	(15,450)
Other Current Liabilities	6,700		1,200			7,900
Net Pension Liability	(2,634)	(1,495)	(1,495)	(2,491)	(71)	(8,186)
Deferred Inflows of Resources	(11,693)	(6,636)	(6,636)	(11,061)	(316)	(36,342)
Total Adjustments	<u>313,948</u>	<u>315,021</u>	<u>144,517</u>	<u>17,993</u>	<u>5,459</u>	<u>796,938</u>
Net Cash Provided by Operating Activities	<u>\$ 1,301,669</u>	<u>\$ 916,255</u>	<u>\$ 506,306</u>	<u>\$ 472,992</u>	<u>\$ 22,063</u>	<u>\$ 3,219,285</u>
Noncash Capital and Related Financing						
Capital Contributions	\$	\$	\$ 310,600	\$ 432,500	\$	\$ 743,100

See Notes to the Financial Statements

CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Financial Reporting Entity

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

DISCRETELY PRESENTED COMPONENT UNITS (Unaudited)

Perham Area Community Center

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

Perham Golf Course

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

BLENDED COMPONENT UNITS - None.

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

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

B. Government-wide and Fund Financial Statements

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

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

CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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

The *2019 G.O. improvement bonds fund* accounts for all activities associated with debt service for the 2019 General Obligation Improvement Bonds.

The *2019 improvement project fund* accounts for all activities associated with the 2019 street improvement project. The *permanent improvement fund* accounts for capital outlays not accounted for in other funds.

**CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

**CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

The government reports the following major proprietary funds:

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

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

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

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

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

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

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

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

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

D. Budgets

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

E. Cash and Cash Equivalents

Cash balances from all funds are combined and invested to the extent available in authorized investments. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. The City considers cash equivalents to be certificates of deposits, money market funds, and other highly liquid investments with original maturities of three months or less. They are carried at cost.

F. Investments

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

G. Accounts Receivable

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

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

H. Property Taxes

Property tax levies are set by the city council in December each year and are certified to the county for collection the following year. In Minnesota, counties act as collection agents for all property taxes. The county spreads the levies over all taxable property in the City. Such taxes become receivables of the City as of January 1.

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

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

I. Special Assessments Receivable

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

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

Delinquent - amounts billed to property owners but not paid.

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

Special assessments receivable not expected to be collected within one year are \$4,140,000.

J. Short-term Interfund Receivables/Payables

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

K. Inventories

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

L. Capital Assets

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

CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

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

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

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

M. Compensated Absences

Vacation leave is recognized as an expenditure or expense when earned. City employees are granted from 7 to 28 days of vacation per year depending upon their years of service. Vacation that is earned as of December 31, 2019, and is expected to be taken by December 31, 2019, is considered a current liability and is accrued in the December 31, 2019, financial statements. Unused vacation leave of 48 hours can be carried over to the succeeding year.

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

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

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

N. Long-term Obligations

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

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

O. Sales Tax

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

P. Pensions

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

Q. Deferred Outflows/Inflows of Resources

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

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

R. Fund Equity

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

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

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

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

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

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

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

**CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

**CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

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

S. Net Position

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

T. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Ultimate results could differ from those estimates.

NOTE 2. DEFICIT FUND BALANCES

The following funds had deficit fund balances at December 31, 2019.

PACC/Hub Project	\$144,974
2020 Improvement Project	63,124
2021 Improvement Project	725
Victory Estates G.O. Improvement Bonds	3,241
CDBG	38

The deficits are expected to be eliminated through future revenues.

NOTE 3. DEPOSITS AND INVESTMENTS

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

The pooled cash account is comprised of the following:

	Perham Area Community Center	Perham Golf Course
Primary Government	\$ 492,825	\$ 2,389
Cash	<u>\$ 13,963,628</u>	<u>\$ 492,825</u>

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

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

- (a) Direct obligations or obligations guaranteed or insured issued by the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.

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

As if December 31, 2019, the City held no investments.

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

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City's city council, all of which are members of the Federal Reserve System. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. The City was not exposed to custodial credit risk as of December 31, 2019.

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2019, was as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 531,274	\$ 90,063	\$ 519,426	\$ 531,274
Construction In Process				
Total Capital Assets, Not Being Depreciated	<u>\$ 621,337</u>	<u>519,426</u>	<u>55,415</u>	<u>1,085,348</u>
Capital Assets, Being Depreciated:				
Buildings	9,332,548			9,332,548
Improvements Other Than Buildings	24,96,968			26,866,353
Machinery and Equipment	4,288,726			4,568,866
Total Capital Assets, Being Depreciated	<u>38,598,292</u>	<u>2,218,251</u>	<u>38,716</u>	<u>40,767,767</u>
Less Accumulated Depreciation For:				
Buildings	2,652,728			2,919,640
Improvements Other Than Buildings	6,382,397			7,627,518
Machinery and Equipment	2,237,071			2,457,140
Total Accumulated Depreciation	<u>11,272,196</u>	<u>1,270,818</u>	<u>38,716</u>	<u>13,004,298</u>
Total Capital Assets, Being Depreciated, Net	<u>26,316,036</u>	<u>947,433</u>	<u>38,716</u>	<u>27,763,469</u>
Governmental Activities Capital Assets, Net	<u>\$ 27,437,373</u>	<u>\$ 1,466,859</u>	<u>\$ 55,415</u>	<u>\$ 28,848,817</u>

CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 1,517,234	\$ 1,517,234	\$ 1,517,234	\$ 1,517,234
Total Capital Assets, Not Being Depreciated	<u>\$ 1,517,234</u>			<u>\$ 1,517,234</u>
Capital Assets, Being Depreciated:				
Buildings	1,002,684	966,011	1,002,684	
Improvements Other Than Buildings	30,482,394	54,432	31,428,405	
Machinery and Equipment	3,586,954		3,651,386	
Total Capital Assets, Being Depreciated	<u>35,052,032</u>	<u>1,020,443</u>	<u>36,082,475</u>	
Less Accumulated Depreciation For:				
Buildings	259,021	25,294	284,315	
Improvements Other Than Buildings	10,439,977	787,189	11,227,166	
Machinery and Equipment	1,172,462	112,555	1,285,017	
Total Accumulated Depreciation	<u>11,811,460</u>	<u>925,038</u>	<u>12,796,498</u>	
Total Capital Assets, Being Depreciated, Net	<u>\$ 23,190,572</u>	<u>95,405</u>	<u>\$ 23,285,977</u>	
Business-type Activities Capital Assets, Net	<u>\$ 24,707,806</u>	<u>\$ 95,405</u>	<u>\$ 24,803,211</u>	

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

Government Activities:	
General Government	\$ 39,677
Public Safety	178,908
Public Works, including Depreciation of General Infrastructure Assets	745,597
Culture and Recreation	244,804
Economic Development	1,575
Airport	60,257
Total Depreciation Expense - Governmental Activities	<u>\$ 1,270,818</u>

Business-type Activities:

Gas	\$ 272,263
Sewer and Wastewater	436,923
Water	181,257
Municipal Liquor	28,498
Recycling	6,097
Total Depreciation Expense - Business-type Activities	<u>\$ 925,038</u>

NOTE 5. NOTES RECEIVABLE

The City has various notes receivable from individuals and organizations at December 31, 2019, as follows:

	<u>Due Dates</u>	<u>Interest Rates</u>	<u>Balance</u>
Special Revenue Funds	2020 - 2033	0.0 - 6.0%	\$ 1,297,025
Economic Development Loans			
Proprietary Funds			
Economic Development Loans			
Total	2028	2.0%	<u>\$ 188,502</u>
			<u>\$ 2,640,548</u>

The provision for uncollectible was \$85,822.

CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6. CONTINGENT LIABILITIES AND COMMITMENTS

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2019, significant amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

NOTE 7. DEFINED BENEFIT PENSION PLANS

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

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

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

General Employees Plan Benefits

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

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule 90 are exempt from the delay to normal retirement.

Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. A full unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of June 30 before the effective date of the increase will receive the full increase. 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.

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2019, were \$91,205. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.80% of pay to 11.30% and employer rates increased from 16.20% to 16.95% on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$62,394. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs – At December 31, 2019, the City reported a liability of \$923,306 for its proportionate share of the General Employees Funds' net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16,000,000 to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$28,665. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0167%, which was a decrease of 0.0002% from its proportionate share measured as of June 30, 2018.

City's proportionate share of the net pension liability	\$ 923,306
State of Minnesota's proportionate share of the net pension liability associated with the City	28,665
Total	\$ 951,971

For the year ended December 31, 2019, the City recognized pension expense of \$112,331 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized an additional \$2,147 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16,000,000 to the General Employees Fund.

**CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

**CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

At December 31, 2019, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 25,947	\$ 99,045
Difference between projected and actual investment earnings		73,901
Changes in actuarial assumptions	18,292	18,983
Changes in proportion	45,485	
Contributions paid to PERA subsequent to the measurement date		
Total	\$ 89,724	\$ 191,939

\$45,485 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Pension Expense Amount
2020	\$ (43,387)
2021	(83,976)
2022	(21,826)
2023	1,489

At December 31, 2019, the City reported a liability of \$364,094 for its proportionate share of the Police and Fire Funds' net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0342%, which was an increase of 0.0028% from its proportion measured as of June 30, 2018. The City also recognized \$4,617 for the year ended December 31, 2019, revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9,000,000 to the Police and Fire Fund each year until the plan is 90% funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. In addition, the state will pay \$4,500,000 on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9,000,000 until funding is reached on July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of \$72,616 for its proportionate share of Police and Fire Plan's pension expense.

At December 31, 2019, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 13,925	\$ 49,346
Difference between projected and actual investment earnings	265,036	63,846
Changes in actuarial assumptions	82,640	336,720
Changes in proportion		25,133
Contributions paid to PERA subsequent to the measurement date	31,197	
Total	\$ 392,798	\$ 475,045

\$31,197 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Pension Expense Amount
2020	\$ (3,027)
2021	(27,831)
2022	(107,794)
2023	18,154
2024	7,054

The total pension expense for all plans recognized by the City for the year ended December 31, 2019 was \$184,947. Actuarial Assumptions – The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

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

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

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 \$310 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$160 million due per year through 2031. Economic assumptions were updated in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

**CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Police and Fire Fund

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

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Stocks	35.50%	5.10%
Private Markets	25.00%	5.90%
Fixed Income	20.00%	0.75%
International Equity	17.50%	5.90%
Cash	2.00%	0.00%

Discount Rate – The discount rate used to measure the total pension liability in 2019 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity – The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	City Proportionate Share of NPL		
	1% Decrease (6.5%)	Current (7.5%)	1% Increase (8.5%)
General Employees Fund	\$ 1,517,865	\$ 923,306	\$ 432,379
Police and Fire Fund	\$ 1% Decrease (6.5%)	Current (7.5%)	1% Increase (8.5%)
	\$ 735,841	\$ 364,094	\$ 7

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

NOTE 8. PERHAM FIREFIGHTERS RELIEF ASSOCIATION

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

Disability Benefits

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

At December 31, 2018, the membership of the Association consisted of:

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

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

Benefit Provisions

Twenty Year Service Pension

Each member who is at least 50 years of age, has retired from the Perham Fire Department, has served at least twenty (20) years of active service with such department before retirement; shall be entitled to a lump sum service pension in the amount of \$2,000 for each completed full year of service (including each year over 20), but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

Ten Year Service, but Less than Twenty Year Service

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

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

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

CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Death Benefits

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

State Supplemental Benefits

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

Funding Requirements

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

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

Total Contribution Required

Plan members are volunteers with no contribution requirements.

Minnesota Statutes Section 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aid are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten-year period. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations).

Contributions totaling \$45,157 were made by the State of Minnesota in accordance with State Statute requirements for the year ended December 31, 2019. These contributions were for \$45,157 of normal costs. The City's statutorily required contribution was \$0.

Pension Costs

At December 31, 2019, the City reported a net pension asset of \$208,147 for the plan. The net pension asset was measured as of December 31, 2018. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by applying an actuarial formula to specific census data certified by the fire department as of December 31, 2018. The following table presents the changes in net pension liability during the year.

Changes in Net Position Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at previous Measurement Date 12/31/2017	\$ 732,874	\$ 1,028,962	\$ (296,088)
Changes for the year:			
Service Cost		26,668	26,668
Interest		45,413	45,413
Difference between expected and actual experience		(31,713)	(31,713)
Changes of assumptions		9,688	9,688
Changes of benefit terms			
Contributions - State and local			
Contributions - donations and other income			
Contributions - member			
Net investment income			(76,854)
Other additions (e.g. receivables)			
Benefit payments, including member contribution refunds		(65,872)	(65,872)
Administrative expense			
Other deductions (e.g. payables)			
Net Changes			
Balance at current Measurement Date 12/31/2018	\$ 717,058	\$ 925,205	\$ (208,147)

There were no benefit provision changes during the measurement period.

For the year ended December 31, 2019, the City recognized pension expense of \$31,395.

At December 31, 2019, the City reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual liability	\$ 8,545	\$ 51,507
Changes in assumptions	68,637	7,675
Net difference between projected and actual investment earnings		
Total	\$ 77,182	\$ 59,182

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

CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

	Year End	Pension Expense
		Amount
2020	\$ 13,584	
2021	597	
2022	2,650	
2023	20,050	
2024	(7,386)	
Thereafter	(11,515)	

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2018, based on the measurement date of December 31, 2018, and using the following actuarial assumptions. The plan has not had a formal actuarial experience study performed.

- Investment rate of return is 5.75%;
- Inflation rate is 2.50%;
- Mortality assumptions for pre-retirement, post-retirement, and post-disability are:
 - Pre-retirement: RP 2014 employee generational mortality table projected with mortality improvement scale MP-2017 from a base year of 2006.
 - Post-retirement: RP 2014 annuitant generational mortality table projected with mortality improvement scale MP-2017 from a base year of 2006. Male rates are adjusted by a factor of 0.96.
 - Post-disability: RP 2014 annuitant generational mortality table projected with mortality improvement scale MP-20017 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

Long-Term Expected Rate of Return

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per the actuary's investment consulting practice as of December 31, 2018.

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return		Long-Term Expected Nominal Rate of Return	
		41.00%	4.76%	7.26%	7.91%
Domestic Equity	18.00%	5.41%	7.03%	7.91%	8.51%
International Equity	29.00%	2.01%	4.51%	4.51%	5.03%
Fixed Income	1.00%	4.53%	7.03%	7.03%	7.34%
Real Estate and Alternatives	11.00%	0.74%	3.24%	3.24%	3.24%
Cash and Equivalents					

Discount Rate

The discount rate used to measure the total pension liability was 5.75 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at the actual statutory contribution rate. Based on those assumptions, the Association's net position was projected to be available to make all projected future benefit payments on the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following presents the net pension liability calculated using the discount rate of 5.75 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (4.75 percent) or one-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease (4.75%)	Current (5.75%)	1% Increase (6.75%)
\$ (193,364)	\$ (208,147)	\$ (222,610)	

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position as of December 31, 2019, is available in a separately-issued financial statement that includes financial statements and required supplementary information. That report may be obtained by writing to Perham Firefighters Relief Association at 525 W Main St, Perham, Minnesota, 56573.

NOTE 9. LONG-TERM DEBT

Primary Government

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years was \$17,346,220. During the year, general obligation bonds totaling \$1,745,000 were issued to finance street improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The general obligations issued for General Government are payable from the debt service funds primarily through special assessments and property taxes levied and collected. General obligation bonds currently outstanding are as follows:

Purpose	Amount
Governmental Activities	\$ 8,376,000
Governmental Activities – Refunding	1.4 – 5.5%
Business-type Activities	1,715,000
Business-type Activities – Refunding	1.45 – 4.0%
	1,085,000
	2.25 – 3.1%
	80,000
	1.45 – 2.45%

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

Year Ending December 31	Governmental Activities	Business-type Activities
	Principal	Interest
2020	\$ 943,000	\$ 302,973
2021	1,059,000	268,025
2022	1,055,000	238,757
2023	985,000	208,597
2024	836,000	180,500
2025-2029	3,363,000	185,000
2030-2034	1,735,000	190,000
2035	135,000	129,953
		2,025
	\$ 10,091,000	\$ 1,866,844
		\$ 1,165,000
		\$ 81,808

General Obligation Revenue Bonds. The City issues general obligation revenue bonds to provide funds for the acquisition and construction of major capital facilities. General obligation revenue bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years was \$9,338,288. During the year, general obligation revenue bonds totaling \$708,804 were issued to finance street improvements.

**CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

**CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Purpose	Interest Rates	Amount
Governmental Activities	1.0 – 2.4%	\$2,581,804
Business-type Activities	1.0 – 2.8%	3,718,000
Business-type Activities - Refunding	3.0 – 4.0%	3,35,000

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

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 227,850	\$ 27,641	\$ 288,000	\$ 70,807
2021	154,000	25,062	292,000	64,397
2022	155,000	23,475	302,000	57,451
2023	157,000	21,878	301,000	50,060
2024	159,000	20,259	311,000	42,578
2025-2029	819,000	76,388	1,118,000	129,928
2030-2034	787,954	32,746	532,000	61,540
2035-2039	122,000	1,275	560,000	34,350
2040-2042			349,000	7,010
	<u>\$ 2,581,804</u>	<u>\$ 228,734</u>	<u>\$ 4,053,000</u>	<u>\$ 518,121</u>

Revenue Bonds. The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The City has not pledged the full faith and credit of the City. Revenue bonds have been issued for business-type activities. The original amount of revenue bonds issued in prior years was \$4,060,000. During the year, revenue bonds totaling \$2,138,000 were issued to refund an existing debt issue. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Business-type Activities - Refunding	2.6 – 3.35%	\$2,138,000

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

Year Ending December 31	Business-type Activities	
	Principal	Interest
2020	\$ 208,000	\$ 61,479
2021	216,000	55,859
2022	224,000	49,807
2023	231,000	43,322
2024	238,000	36,401
2025-2028	1,021,000	67,959
	<u>\$ 2,138,000</u>	<u>\$ 314,827</u>

Loans Payable. The City has two 1% promissory notes to the U.S. Department of Agriculture for establishing an Intermediary Relending Program for various applicants who qualify for such loans in accordance with the applicable regulations of the Farmers Home Administration relating to the intermediary Relending Program. The City has not pledged its full faith and credit for repayment of the notes, but only the assets pledged as security for loans to the recipients. The balance due on the notes was \$196,963 and \$272,952 at December 31, 2019.

Lender	Interest Rates		Amount
	U.S. Department of Agriculture	Governmental Activities	
Annual debt service requirements to maturity for loans payable are as follows:			
Year Ending December 31	Principal	Interest	Amount
2020	\$ 68,259	\$ 4,739	\$ 469,915
2021	68,944	4,057	
2022	69,636	3,366	
2023	70,334	2,668	
2024	68,403	2,040	
2025-2028	124,339	2,941	
	<u>\$ 469,915</u>	<u>\$ 19,811</u>	
Refunding	Interest	Rate	Amount
Revenue Bonds			
Gas Utility Revenue Refunding Bonds, 2009C		5/1/2019	4.0 - 4.75% \$ 2,605,000

The City will realize a savings of \$267,842, with a net present value of \$232,373.

Changes in Long-Term Liabilities. Long-term liability activity for the year ended December 31, 2019, was as follows:

Bonds Payable	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 9,354,000	\$ 1,745,000	\$ 1,008,000	\$ 10,091,000	\$ 943,000
General Obligation Revenue Bonds	\$ 2,051,000	708,804	178,000	2,483,804	227,850
Subtotal Bonds Payable	\$ 11,405,000	2,453,804	1,186,000	\$ 12,672,804	1,170,850
Unamortized Premium		196,379	135,734	16,340	315,773
Total Bonds Payable	\$ 11,601,379	2,589,538	1,202,340	\$ 12,988,577	1,195,690
Other Long-term Obligations					
Loans Payable		577,248			
Total Other Long-term Obligations		577,248			
Compensated Absences					
Government Activity Long-term Liabilities		119,926	83,105	87,737	115,294
	<u>\$ 12,298,553</u>	<u>\$ 2,672,643</u>	<u>\$ 1,397,410</u>	<u>\$ 13,573,786</u>	<u>\$ 1,316,708</u>

CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

<u>Business-type Activities</u>				
Bonds Payable	\$ 1,420,000	\$ 255,000	\$ 1,165,000	\$ 195,000
General Obligation Bonds	\$ 4,372,000	\$ 319,000	\$ 4,053,000	\$ 288,000
Revenue Bonds	\$ 2,605,000	\$ 2,138,000	\$ 2,605,000	\$ 208,000
Subtotal Bonds Payable	\$ 8,397,000	\$ 2,138,000	\$ 7,356,000	\$ 691,000
Unamortized Premium	\$ 48,328	\$ 8,760	\$ 39,568	\$ 8,760
Total Bonds Payable	\$ 8,445,328	\$ 31,187,760	\$ 7,395,568	\$ 699,760
Compensated Absences	\$ 95,584	\$ 30,583	\$ 46,032	\$ 80,135
Business-type Activity				\$ 36,669
Long-term Liabilities	\$ 8,540,912	\$ 2,168,583	\$ 3,233,792	\$ 7,475,703
				\$ 736,429

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

Component Units (Unaudited)

Loans Payable. The following loans have been issued:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Perham Golf Course	.0%	\$188,302
Changes in Long-Term Liabilities. Long-term liability activity for the year ended December 31, 2019, was as follows:		
<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>
<u>Perham Golf Course</u>		
Other Long-term Obligations		
Loans Payable	\$ 205,006	\$ 157,404
EDA Note Payable		\$ 400,000
Lifetime Memberships	\$ 16,500	\$ 557,404
Component Unit Long-term Liabilities	\$ 221,506	\$ 190,408

NOTE 10. CONDUIT DEBT (NO COMMITMENT DEBT)

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

As of December 31, 2019, the aggregate principal amount payable of the one series issued was \$386,725. The original issue amount totaled \$952,317.

NOTE 11. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2019, is as follows:

Due to / from other funds:	Receivable	Payable	Amount
Water		Permanent Improvement	\$ 262,442
General		Nonmajor Governmental	\$ 134,825
			\$ 397,267

The amount payable is to finance the operation of the fund. Approximately \$223,000 of the loan from the water fund to the permanent fund is expected to be collected after 2020.

Interfund Transfers:

Transfer In	Transfer Out	Amount
General Fund	Liquor	\$ 119,250
General Fund	Sewer and Wastewater	15,500
General Fund	Water	15,500
General Fund	Gas	84,000
Perm Improvement	Liquor	80,000
Perm Improvement	Sewer and Wastewater	23,389
Perm Improvement	Water	25,389
Perm Improvement	Gas	119,389
2015A Improvement Bonds	Sewer and Wastewater	49,598
2015A Improvement Bonds	Water	49,869
2019 Improvement Project	Water	146,412
2019 G.O. Improvement Bonds	Permanent Improvement Project	40,022
Nonmajor Governmental	Sewer and Wastewater	57,400
Nonmajor Governmental	Water	82,447
Nonmajor Governmental	TIF Districts	289,000
Nonmajor Governmental	Nonmajor Governmental	21,000
		\$ 1,198,165

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

NOTE 12. MAJOR CUSTOMERS

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

Name	1
Company 1	29%
Company 2	5%
Company 3	7%
Company 4	7%

NOTE 13. RISK MANAGEMENT

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

The City also purchases liquor liability and airport liability coverage from the League of Minnesota Cities (\$2,000,000 aggregate for each). The City retains risk for the deductible portion of the policy, which is considered immaterial to the financial statements. At December 31, 2019, there are no other claims liabilities reported in the financial statements based on the requirements of Government Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated.

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

NOTE 14. NEW ANNOUNCEMENTS

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

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

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

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

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

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

NOTE 15. SUBSEQUENT EVENT

On March 13, 2020, a national emergency was declared for the COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the City may be both direct and indirect and will vary based on the duration of the outbreak and various other factors. An estimate of the financial effect on the City's financial statements at December 31, 2019 cannot be determined at this time.

CITY OF PERHAM, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2019

CITY OF PERHAM, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL FUND - Continued
 YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Property Taxes	\$ 465,356	\$ 465,356	\$ 464,637	\$ (719)
Special Assessments			1,156	1,156
Licenses and Permits	99,700	99,700	107,937	8,237
Intergovernmental				
State	599,642	599,642	599,642	6,904
Local Governmental Aid	45,000	45,000	51,904	6,904
Police Aid	648	648	648	
PERA	25,358	25,358	23,029	(2,329)
Aviation Maintenance Aid	2,500	2,500	3,508	1,008
Other	11,700	11,700	7,726	(3,974)
Other Local Government	684,848	684,848	686,457	1,609
Charges for Services				
General Government	59,630	59,630	58,305	(1,325)
Police Department	200	200	4,264	4,064
Airport	38,500	38,500	30,122	(8,378)
Other	98,330	98,330	92,691	(5,639)
Fines and Forfeitures	15,000	15,000	13,698	(1,302)
Miscellaneous				
Interest on Investments	10,000	10,000	20,065	10,065
Contributions	37,041	37,041	37,041	
Reimbursements	17,000	18,000	15,114	(2,886)
Other Receipts	66,500	66,500	81,306	14,806
Total Revenues	1,493,775	1,494,775	1,520,102	25,327

cont.

	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES				
General Government				
Mayor and Council				
Finance Administration	55,705	29,985	28,995	(1,070)
Elections	179,399	172,692	161,674	(11,110)
Legal Services			3,000	(3,000)
Planning and Zoning			2,900	2,969
Building Inspection Fees			80,000	84,291
Municipal Building			41,000	41,000
Public Safety				
Police Protection	715,463	715,463	714,417	(1,046)
Police Station	11,050	11,050	7,208	(3,842)
Police			726,513	721,625
Public Works				
Streets and Alleys	133,388	133,388	198,585	65,197
Snow and Ice Removal	59,457	59,457	52,655	(6,802)
Street Lighting	60,400	60,400	58,731	(1,668)
Culture and Recreation				
Senior Center	39,565	39,565	38,891	326
Municipal Parks	288,936	288,936	308,175	19,239
Transportation				
Airport	338,501	338,501	349,066	10,565
Total Expenditures			47,254	(7,665)
REVENUES UNDER EXPENDITURES				
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	1,724,517	1,695,070	1,737,022	41,952
Transfers In	(230,742)	(200,285)	(216,920)	(16,625)
Total Other Financing Sources (Uses)	231,250	224,265	244,265	20,000
NET CHANGE IN FUND BALANCES	508	23,970	27,345	3,375
FUND BALANCE, JANUARY 1	891,666	891,666	891,666	
FUND BALANCE, DECEMBER 31	\$ 892,174	\$ 915,636	\$ 919,011	\$ 3,375

See Notes to the Required Supplementary Information

See Notes to the Required Supplementary Information

**CITY OF PERHAM, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
TIF DISTRICT FUND
YEAR ENDED DECEMBER 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Property Taxes	\$ 952,250	\$ 952,250	\$ 976,379	\$ 24,129
Miscellaneous				
Interest on Investments	4,775	4,775	14,893	10,118
Total Revenues	<u>957,025</u>	<u>957,025</u>	<u>981,272</u>	<u>34,247</u>
EXPENDITURES				
Current				
Economic Development				
Total Expenditures	<u>157,703</u>	<u>562,410</u>	<u>567,745</u>	<u>5,335</u>
REVENUES OVER EXPENDITURES	<u>789,322</u>	<u>394,615</u>	<u>423,527</u>	<u>28,912</u>
OTHER FINANCING USES				
Transfers Out				
Total Other Financing Uses	<u>(269,000)</u>	<u>(269,000)</u>	<u>(269,000)</u>	<u>(269,000)</u>
NET CHANGE IN FUND BALANCES	<u>530,322</u>	<u>125,615</u>	<u>154,527</u>	<u>28,912</u>
FUND BALANCE, JANUARY 1	<u>861,039</u>	<u>861,039</u>	<u>861,039</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 1,391,361</u>	<u>\$ 986,654</u>	<u>\$ 1,015,566</u>	<u>\$ 28,912</u>

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

		<u>General Employees Fund</u>	<u>Police and Fire Fund</u>	<u>Contribution Required</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions in Relation to the Statutory Requirements</u>	<u>Contributions in Relation to the Statutory Contributions</u>	<u>Percentage of Covered Payroll</u>
				<u>Fiscal Year Ended December 31</u>	<u>2015</u>	<u>\$ 72,936</u>	<u>\$ 72,936</u>	<u>\$ 72,936</u>	<u>7.58 %</u>
					<u>2016</u>	<u>78,737</u>	<u>78,737</u>	<u>84,649</u>	<u>1,049,825</u>
					<u>2017</u>	<u>84,649</u>	<u>84,649</u>	<u>85,792</u>	<u>1,128,655</u>
					<u>2018</u>	<u>85,792</u>	<u>85,792</u>	<u>1,143,902</u>	<u>1,205,246</u>
					<u>2019</u>	<u>91,205</u>	<u>91,205</u>	<u>107,059</u>	<u>1,205,246</u>
					<u>2015</u>	<u>\$ 47,059</u>	<u>\$ 47,059</u>	<u>\$ 46,273</u>	<u>16.20 %</u>
					<u>2016</u>	<u>50,751</u>	<u>50,751</u>	<u>56,529</u>	<u>285,633</u>
					<u>2017</u>	<u>56,529</u>	<u>56,529</u>	<u>62,394</u>	<u>313,276</u>
					<u>2018</u>	<u>62,394</u>	<u>62,394</u>	<u>62,394</u>	<u>348,942</u>
					<u>2019</u>	<u>62,394</u>	<u>62,394</u>	<u>62,394</u>	<u>358,393</u>

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

See Notes to the Required Supplementary Information

See Notes to the Required Supplementary Information

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

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

Fiscal Year	2019	2018	2017	2016
Total Pension Liability				
Service Cost	\$ 26,668	\$ 25,954	\$ 26,239	\$ 26,367
Interest Cost	45,413	43,110	37,991	31,200
Differences between expected and actual experience	(31,713)	(34,887)	(3,561)	(9,948)
Changes of Assumptions	9,688	31,081		
Changes of benefit terms				
Benefit Payments	(65,872)			(17,200)
Net Change in Total Pension Liability	(15,816)	69,064	56,863	30,419
Total Pension Liability - Beginning	732,874	663,810	606,947	576,528
Total Pension Liability - Ending	\$ 717,058	\$ 732,874	\$ 663,810	\$ 606,947
Plan Fiduciary Net Position				
Contributions - State and Local	\$ 45,157	\$ 42,535	\$ 41,878	\$ 44,344
Net Investment Income	(76,854)	140,918	56,039	(24,949)
Benefit Payments	(65,872)			(17,200)
Pension Plan Administrative Expense				(4,407)
Other Changes	(6,188)	(9,260)	(7,988)	
Net Change in Plan Fiduciary Net Position	(103,757)	174,193	89,929	(2,212)
Plan Fiduciary Net Position - Beginning	1,028,962	854,769	764,840	767,052
Plan Fiduciary Net Position - Ending	\$ 925,205	\$ 1,028,962	\$ 854,769	\$ 764,840
Net Pension Asset - Ending	\$ (208,147)	\$ (296,088)	\$ (190,959)	\$ (157,893)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability				
Covered Payroll *				
Notes:				
See Notes to the Required Supplementary Information				
This schedule is built prospectively until it contains ten years of data.				
* Because all active plan members are volunteers, there is no actual payroll.				

State's Proportionate Share of the Net Pension Liability Associated with the City	\$ 844,751	\$ 844,751	\$ 844,751	\$ 844,751
City's Proportionate Share of the Net Pension Liability Associated with the City	0.0163 %	\$ 1,299,121	\$ 17,062	\$ 1,316,183
Fiscal Year Ended June 30	2016	0.0160	1,098,037	13,784
General Employees Fund	2015	0.0163 %	937,543	968,200
2017	0.0172	923,306	28,665	951,971
2018	0.0169	1,203,952	2,520	1,203,952
2019	0.0167	363,595	2,844	380,553
Police and Fire Fund	2015	0.0320 %	363,595	\$ 363,595
2016	0.0300	378,033	2,520	380,553
2017	0.0280	336,823	2,844	339,667
2018	0.0316	364,094	4,617	331,109
2019	0.0342			351,393

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

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

Fiscal Year Ended December 31	Statutorily Determined Contribution	Actual Employer Contributions	Contribution Deficiency (Excess)	Covered Payroll*
2009	\$ 24,053	\$ 24,053	\$	
2010	53,693	53,693		
2011	58,521	58,521		
2012	50,373	50,373		
2013	58,168	58,168		
2014	54,330	54,330		
2015	44,344	44,344		
2016	41,878	41,878		
2017	42,535	42,535		
2018	45,157	45,157		

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

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

Valuation date	12/31/2018
Actuarial cost method	Entry Age Normal Level Dollar
Amortization method	Closed
Remaining amortization period:	
Normal cost	20 Years
Prior service cost	10 Years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	5.75%
Projected salary increases	N/A
Inflation Rate	2.50%
Cost-of-living adjustments	N/A

CITY OF PERHAM, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

NOTE 1. LEGAL COMPLIANCE-BUDGETS

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

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

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

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

NOTE 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2019, expenditures exceeded appropriations in the general fund and the TIF District fund by \$41,952 and \$5,335, respectively.

NOTE 3. DEFINED BENEFIT PLANS

PERA

General Employees Fund

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 \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions: The mortality projection scale was changed from 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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

CITY OF PERHAM, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

2017 Changes

Changes in Actuarial Assumptions: The combined service annuity (CSA) loads were changed from 0.8 percent for active members and 60.0 percent for vested and non-vested deferred members. The revised CSA load are now 0.0 percent for active member liability, 15.0 percent for deferred member liability, and 3.0 percent for non-vested deferred member liability. The assumed postretirement benefit increase rate was changed for 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

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

2016 Changes

Changes in Actuarial Assumptions: The assumed postretirement 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 years. The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent. Other assumptions were changed pursuant to the experience study 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.

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

2015 Changes

Changes in Actuarial Assumptions: The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 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 increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

Police and Fire Fund

2019 Changes

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

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

2018 Changes

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

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

CITY OF PERHAM, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

2017 Changes

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

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

2016 Changes

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

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

2015 Changes

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

Changes in Plan Provisions: The postretirement benefit increase to be paid after the attainment of the 90.00 percent funding threshold was changed from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

CITY OF PERHAM, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019

Exhibit B-1

CITY OF PERHAM, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019

Exhibit B-2

	Special Revenue Funds Exhibit C-1	Debt Service Funds Exhibit C-3	Capital Projects Funds Exhibit C-5	Permanent Fund	Total Nonmajor Governmental Funds Exhibit A-3	
ASSETS						
Cash and Investments	\$ 988,799	\$ 2,385,613	\$ 217,313	\$ 61,082	\$ 3,632,807	
Accounts Receivable	24,376	5,041	4,948		24,375	
Tax Receivable - Current			3,878		9,989	
Tax Receivable - Delinquent					7,922	
Special Assessments Receivable						
Delinquent						
Noncurrent						
Notes Receivable						
TOTAL ASSETS	\$ 1,251,629	\$ 2,273,888	\$ 5,799,861	\$ 217,313	\$ 61,082	\$ 8,352,144
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 28,227	\$ 1,284	\$ 183,856	\$ 213,347		
Accrued Payroll	1,408		3,241	131,584	1,408	
Due to Other Funds			4,505	315,440		
Total Liabilities	\$ 29,635				\$ 349,580	
Deferred Inflows of Resources						
Unavailable Revenue						
Total Deferred Inflows of Resources						
Fund Balance						
Nonspendable - Endowment						
Restricted for:						
Marketing						
Debt Service						
Committed for:						
Library						
Fire and Rescue						
Storm Sewer Development						
Revolving Loans						
Assigned Capital Projects						
Park						
Unassigned						
Total Fund Balance	\$ (38)	\$ (3,241)	\$ (208,823)	\$ 11,082	\$ (212,102)	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,240,209	\$ 3,480,651	\$ (98,127)	\$ 61,082	\$ 5,683,815	

	Special Revenue Funds Exhibit C-2	Debt Service Funds Exhibit C-4	Capital Projects Funds Exhibit C-6	Permanent Fund	Total Nonmajor Governmental Funds Exhibit A-5
REVENUES					
Property Taxes					
Hotel/Motel Tax					
Special Assessments					
Intergovernmental - Federal					
Intergovernmental - State					
Intergovernmental - Local					
Charges for Services					
Miscellaneous					
Interest on Loans Receivable					
Interest on Investments					
Contributions					
Reimbursements					
Other Receipts					
Total Revenues	\$ 837,797			\$ 11,855	
EXPENDITURES					
Current					
Public Safety					
Public Works					
Culture and Recreation					
Economic Development					
Debt					
Principal					
Interest					
Fees					
Capital Outlay					
Public Works					
Culture and Recreation					
Total Expenditures					
REVENUES OVER (UNDER) EXPENDITURES					
OTHER FINANCING SOURCES (USES)					
Sale of Capital Asset					
Transfers In					
Transfers Out					
Total Other Financing Sources (Uses)					
NET CHANGE IN FUND BALANCES					
FUND BALANCE, JANUARY 1	\$ 2,391,038			\$ 99,131	
FUND BALANCE, DECEMBER 31	\$ 2,240,209	\$ 3,480,651	\$ (98,127)	\$ 61,082	\$ 5,683,815

CITY OF PERHAM, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2019

Exhibit C-1

CITY OF PERHAM, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2019

Exhibit C-2

	Library	Fire and Rescue	Storm Sewer	Lodging Tax	Economic Development Revolving Loan	CDBG	Total Nonmajor Special Revenue Funds Exhibit B-1	Library	Fire and Rescue	Storm Sewer	Lodging Tax	Economic Development Revolving Loan	CDBG	Total Nonmajor Special Revenue Funds Exhibit B-2	
ASSETS															
Cash and Investments	\$ 89,742	\$ 151,561	\$ 11,212	\$ 17,4202	\$ 40,355	\$ 532,885	\$ 54	\$ 988,799	\$ 151,230	\$ 117,931	\$ 48,556	\$ 88,360	\$ 357,521	\$ 48,556	
Accounts Receivable															
Tax Receivable - Current	2,181			4,069		9,094		24,375							
Tax Receivable - Delinquent	1,710			1,701		1,333		1,159							
Notes Receivable															
TOTAL ASSETS	\$ 93,633	\$ 165,807	\$ 165,807	\$ 176,271	\$ 49,449	\$ 1,786,674	\$ 54	\$ 2,273,888							
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES															
Liabilities															
Accounts Payable	\$ 4,478	\$ 17,457	\$ 334	\$ 4,539	\$ 1,327	\$ 92	\$ 28,227								
Accrued Payroll	989	94	17,551	334	315	1,642	92	1,408							
Total Liabilities	5,477														
Deferred Inflows of Resources															
Unavailable Revenue	1,710			1,333				1,001							
Total Deferred Inflows of Resources	1,710			1,333				1,001							
Fund Balance															
Restricted for:															
Marketing															
Committed for:															
Library	86,446			146,923		177,937									
Fire and Rescue															
Storm Sewer															
Development															
Revolving Loans															
Unassigned															
Total Fund Balance	86,446			146,923		177,937		44,910		1,784,031		(38)			
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 93,633	\$ 165,807	\$ 165,807	\$ 176,271	\$ 49,449	\$ 1,786,674	\$ 54	\$ 2,273,888							

REVENUES															
Property Taxes															
Intergovernmental - State															
Fire Aid															
PERA															
Other State Aid															
Intergovernmental - Local															
Other Local Government															
Township															
Charges for Services															
Miscellaneous															
Interest on Loans Receivable															
Interest on Investments															
Contributions															
Reimbursements															
Other Receipts															
Total Revenues															
EXPENDITURES															
Current															
Public Safety															
Public Works															
Culture and Recreation															
Economic Development															
Total Expenditures															
REVENUES OVER (UNDER) EXPENDITURES															
	2,137														
	(131,278)														
OTHER FINANCING SOURCES															
Sale of Capital Asset															
Transfer In															
Total Other Financing Sources															
NET CHANGE IN FUND BALANCES															
	2,137														
	(131,278)														
FUND BALANCE, JANUARY 1															
	84,309														
	278,201														
	152,128														
	38,248														
	1,838,152														
	44,910														
	\$ 1,784,031														
FUND BALANCE, DECEMBER 31	\$ 86,446														
	\$ 146,923														
	\$ 177,337														
	\$ 44,910														
	\$ 1,784,031														
	\$ (38)														
	\$ 2,240,209														

CITY OF PERHAM, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2019

Exhibit C-3

CITY OF PERHAM, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2019

Exhibit C-3

	2005 G.O. Improvement Bonds	2007 G.O. Improvement Bonds	2011A G.O. Improvement Bonds	2017A Improvement Bonds	2006 G.O. Bonds	2006 G.O. Course	Golf Course	2006 G.O. Bonds
CASH AND INVESTMENTS								
Taxes Receivable - Current	\$ 75,760	\$ 322,294	\$ 145,552	\$ 352,434	\$ 78,394	\$ 3,963		
Taxes Receivable - Delinquent		227	515	1,239	1,217			
Special Assessments Receivable			403	971	954			
Delinquent								
Noncurrent								
Notes Receivable								
TOTAL ASSETS	\$ 108,455	\$ 428,535	\$ 488,280	\$ 1,002,922	\$ 80,565	\$ 45,735		

LIABILITIES, DEFERRED
INFLOWS OF RESOURCES,
AND FUND BALANCE

	1996 IRP Loan Program	2008 G.O. Refunding Bonds	2009B G.O. Bonds	2009 G.O. Improvement Bonds	2010A G.O. Improvement Bonds	2013 G.O. Improvement Bonds	Victory Estates G.O. Improvement Bonds	Total Nonmajor Debt Service Funds	Exhibit B-1
ASSETS									
Cash and Investments									
Taxes Receivable - Current									
Taxes Receivable - Delinquent									
Special Assessments Receivable									
Delinquent									
Noncurrent									
Notes Receivable									
TOTAL ASSETS	\$ 1,969,239	\$ 166,948	\$ 777,978	\$ 282,164	\$ 356,471	\$ 92,570	\$ 5,799,861		
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE									
LIABILITIES									
Accounts Payable									
Due to Other Funds									
Total Liabilities									
DEFERRED INFLOWS OF RESOURCES									
Unavailable Revenue									
Total Deferred Inflows									
of Resources									
DEFERRED INFLOWS OF RESOURCES									
Unavailable Revenue									
Total Deferred Inflows									
of Resources									
FUND BALANCE									
Restricted for Debt Service									
Unassigned									
Total Fund Balance									
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 108,455	\$ 428,535	\$ 488,280	\$ 1,002,922	\$ 80,565	\$ 45,735	cont		

**CITY OF PERHAM, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2019**

Exhibit C-4

										Exhibit C-4			
										CITY OF PERHAM, MINNESOTA COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR DEBT SERVICE FUNDS YEAR ENDED DECEMBER 31, 2019			
										1996	2009	2013	Total Nonmajor Debt Service Funds
										IRP Loan Program	G.O. Refunding Bonds	G.O. Improvement Bonds	Estates G.O. Improvement Bonds
													Exhibit B-2
REVENUES													
Property Taxes										\$ 20,508	\$ 23	\$ 55,964	\$ 1,239
Special Assessments										\$ 14,015	\$ 90,218	\$ 22,800	\$ 35,318
Intergovernmental												11,466	
Federal													11,466
Miscellaneous													
Interest on Loans Receivable													
Interest on Investments													
Other													
Total Revenues													
	2005 G.O. Improvement Bonds	2007 G.O. Improvement Bonds	2011A G.O. Improvement Bonds	2017A G.O. Improvement Bonds	2006 G.O. Bonds	Golf Course	2006 G.O. Bonds	2009	2009	2010A	2013	Victory Estates G.O. Improvement Bonds	Total Nonmajor Debt Service Funds
	\$ 19,647	\$ 32,848	\$ 20,210	\$ 35,662	\$ 63,805	\$ 78,485	\$ 84,344	\$ 322					
EXPENDITURES													
Current Economic Development													
Debt Principal													
Interest													
Fees													
Total Expenditures													
	201922	61,646	102,348	169,558	85,977	18,503	85,977	18,503	93,537	94,336	80,839	13,269	841,081
REVENUES OVER (UNDER)													
EXPENDITURES													
Current Economic Development													
Debt Principal													
Interest													
Fees													
Total Expenditures													
	(109,362)	(43,504)	(18,292)	(18,127)	110,000	75,000	85,000	85,000	90,000	86,000	70,000	72,001	14,562
OTHER FINANCING SOURCES (USES)													
Transfers In													
Transfers Out													
Total Other Financing Sources (Uses)													
	80,000	15,000	24,662	62,280	86,000	86,000	86,000	86,000	93,000	10,000	17,400	20,505	408,847
													(21,000)
NET CHANGE IN FUND BALANCES													
FUND BALANCE JANUARY 1													
FUND BALANCE DECEMBER 31													
	105,122	351,088	139,697	309,520	72,734	(13,380)	353,673	\$ 79,611	\$ 192,145	\$ 134,984	\$ 163,585	\$ (3,241)	3,480,651
	\$ 75,760	\$ 322,584	\$ 146,067	\$ 146,067	\$ 3,963	\$ 3,963	\$ 3,963	\$ 3,963	\$ 3,963	\$ 3,963	\$ 3,963	\$ 3,963	3,480,651

cont.

CITY OF PERHAM, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2019

Exhibit C-5

	2015 Improvement Project	2020 Improvement Project	PACC/Hub Project	2021 Improvement Project	Total Nonmajor Capital Project Funds Exhibit B-1
ASSETS					
Cash and Investments	\$ 217,313	\$ 217,313	\$ 217,313	\$ 217,313	\$ 217,313
TOTAL ASSETS	\$ 217,313	\$ 217,313	\$ 217,313	\$ 217,313	\$ 217,313
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 106,617	\$ 31,500	\$ 45,014	\$ 725	\$ 183,856
Due to Other Funds		31,624	99,960	725	131,584
Total Liabilities	\$ 106,617	\$ 63,124	\$ 144,974	\$ 725	\$ 315,440
FUND BALANCE					
Assigned for Capital Project	110,696				110,696
Unassigned		(63,124)	(144,974)	(725)	(206,823)
Total Fund Balance	\$ 110,696	\$ (63,124)	\$ (144,974)	\$ (725)	\$ (98,127)
TOTAL LIABILITIES AND FUND BALANCES	\$ 217,313	\$ 217,313	\$ 217,313	\$ 217,313	\$ 217,313

CITY OF PERHAM, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
YEAR ENDED DECEMBER 31, 2019

Exhibit C-6

	2015 Improvement Project	2020 Improvement Project	PACC/Hub Project	2021 Improvement Project	Total Nonmajor Capital Project Funds Exhibit B-2
REVENUES					
Miscellaneous Reimbursements	\$ 11,855	\$ 11,855	\$ 11,855	\$ 11,855	\$ 11,855
Total Revenues	\$ 11,855	\$ 11,855	\$ 11,855	\$ 11,855	\$ 11,855
EXPENDITURES					
Capital Outlay	290	63,124	63,124	725	64,139
Public Works					144,974
Culture and Recreation					144,974
Total Expenditures		290	63,124	725	209,113
NET CHANGE IN FUND BALANCES	11,565	(63,124)	(144,974)	(725)	(197,258)
FUND BALANCE, JANUARY 1	99,331				99,331
FUND BALANCE, DECEMBER 31	\$ 110,696	\$ (63,124)	\$ (144,974)	\$ (725)	\$ (98,127)

CITY OF PERHAM, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES AND NET POSITION
YEAR ENDED DECEMBER 31, 2019

CITY OF PERHAM, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES AND NET POSITION
YEAR ENDED DECEMBER 31, 2019

	Beginning Balance		Revenues		Expenditures		Transfers In		Transfers Out		Long Term Debt Issued		Capital Contributions		Sale of Capital Assets		Ending Balance		
	Primary Government Funds	General	\$ 891,666	\$ 1,520,102	\$ 1,737,022	\$ 234,259	\$	\$	\$	\$	\$ 10,015	\$ 919,011	\$	\$	\$	\$	\$ 1,758,264		
Special Revenue			84,309	213,359	211,222	3,477						86,446							
Library			270,201	342,357	473,415							146,923							
Fire and Rescue																			
Economic Development Revolving Loan			1,838,152	174,345	285,466	21,000						36,000	1,784,031						
CBIG			88,1039	3,439	567,745								(38)						
TF Districts			152,128		55,855								1015,566						
Storm Sewer			34,248	49,162	29,546								177,937						
Lodging Tax					42,500								44,910						
Debt Service																			
1996 IRR Loan Program			2,011,953	64,573	87,552								1,967,974						
2005 G.O. Improvement Bonds			105,122	21,922	131,284	80,000													
2007 G.O. Improvement Bonds Golf Course			35,088	61,646	105,150	15,000							75,750						
2006 G.O. Bonds			72,734	86,997	79,100								322,584						
2006 G.O. Refunding Bonds			(13,380)	18,903	87,160	86,000							79,611						
2009 G.O. Improvement Bonds			31,753	34,573	115,880	93,000								3,963					
2010A G.O. Improvement Bonds			132,272	93,537	103,925	10,000								43,446					
2010A G.O. Improvement Bonds			200,834	94,336	120,425	17,400								134,984					
2013 G.O. Improvement Bonds			139,697	102,348	120,640	24,662								192,145					
2015 G.O. Improvement Bonds			159,866	80,839	97,545									146,067					
2015 G.O. Improvement Bonds			445,275	203,249	241,863	99,467								146,067					
Victory Estates G.O. Improvement Bonds			(6,789)	13,269	9,721									146,067					
2017A Improvement Bonds			309,520	168,558	187,685	62,280								506,128					
2019 Improvement Bonds					113,825	40,422									353,673				
Capital Projects															153,647				
Barberman Improvement Project			365,869	420,087	507,956	248,467										281,195			
2015 Improvement Project			99,121	11,165	2,587,960	20,505										11,165			
2019 Improvement Project			(55,415)	3,656	146,412	40,022										57,291			
2020 Improvement Project																(63,124)			
PACCHab																(144,974)			
2021 Improvement Project																(725)			
Permanent Fund			69,719	3,533	3,707											61,082			
Total Governmental Funds			8,546,002	4,946,659	8,255,002	1,198,165										8,616,653			

cont.

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

**CITY OF PERHAM, MINNESOTA
SCHEDULE OF INDEBTEDNESS
DECEMBER 31, 2019**

BOND INDEBTEDNESS	Interest Rate	Date of Issue	Maturity Dates	Amount of issue	Balance 12/31/2018	Issued 2019	Retired 2019	Balance 12/31/2019	Principal 2020	Interest 2020
General Obligation Bonds:										
G.O. Improvement Bonds, 2010A	4.5 - 5.5	07/01/10	2-12/20/2026	\$ 130,000	\$ 725,000	\$ 85,000	\$ 640,000	\$ 31,100		
G.O. Bonds (MPFA)	1.4	08/08/11	8-25/20/2025	148,475	85,000	10,000	75,000	2,330	2,330	2,330
G.O. Refunding & Crossover, 2009B	1.4	11/01/09	3-04/05/2026	505,000	60,000	60,000	115,000	10,000	1,042	
G.O. Improvement Bonds, 2011	2.6 - 3.4	08/01/11	2-12/20/2027	590,000	641,000	63,000	575,000	16,000	16,065	
G.O. Refunding & Crossover, 2012	1.6 - 2.4	03/14/12	2-12/20/2028	690,000	331,000	80,000	350,000	12,000	9,665	
G.O. Refunding & Crossover, 2012	1.45 - 2.45	03/14/12	2-12/20/2028	100,000	100,000	25,000	80,000	1,500	1,500	
G.O. Improvement Bonds, 2013	2.6 - 3.8	10/02/13	2-12/20/2029	115,000	850,000	70,000	780,000	70,000	25,085	
G.O. Bonds 2014 Cross Over Refunded 2007A	3.0-4.0	08/10/14	2-12/20/2023	760,000	475,000	90,000	385,000	12,000	12,000	
G.O. Bonds Series 2015A	2.25 - 3.1	07/21/15	2-12/20/2031	820,000	134,000	50,000	860,000	10,000	17,043	
G.O. Bonds Series 2015A	2.25 - 3.1	07/21/15	2-12/20/2031	130,000	125,000	10,000	70,000	10,000	10,000	
G.O. Bonds Improvement Refunding, Series 2016A	2.0 - 2.5	07/21/15	2-12/20/2025	1,380,000	820,000	90,000	1,080,000	10,000	10,000	
G.O. Bonds Improvement Refunding, Series 2017A	3.0 - 3.5	01/07/17	2-12/20/2025	790,000	605,000	90,000	720,000	22,785		
G.O. Bonds Improvement Refunding, Series 2018A	3.0 - 4.0	06/05/17	2-12/20/2033	2,570,000	2,570,000	110,000	2,460,000	160,000	85,000	
Total				1,745,000	1,745,000	1,745,000	1,265,000	1,265,000	70,545	
General Fund & Reserve Bonds:										
G.O. Bond 2014 Cross Over Refunded 2008A	3.0-4.0	08/10/14	2-12/20/2024	500,000	385,000	60,000	335,000	65,000	11,125	
G.O. Revenue Bonds - PPA	2.7	01/28/09	8-20/20/2028	606,200	400,000	128,000	128,000	24,270	35,412	
G.O. Bonds (MPFA)	1.00	11/16/12	8-20/20/2042	3,416,667	2,521,000	90,000	2,427,000	95,000	24,270	
G.O. Improvement Bonds - PPA	2.4	03/20/12	8-20/20/2020	385,000	150,000	50,000	175,000	50,000	18,600	
G.O. Bonds Series 2015A	1.45	07/09/15	8-20/20/2035	1,048,810	906,000	45,000	94,000	54,000	8,956	
G.O. Bonds (MPFA) Drinking Water	1	07/09/15	8-20/20/2034	708,804	708,804	85,000	708,804	48,450	48,450	
Total				6,422,000	708,804	497,000	6,334,804	515,850	98,448	
Revenue Bonds										
Gas Utility Refunding Bond 2009C	4.0 - 4.75	11/17/09	6-12/20/2029	4,080,000	2,605,000	2,605,000	2,198,000	208,000	61,170	
Gas Utility Refunding Bond 2019A	2.6 - 3.35	05/07/19	6-12/20/2028	2,138,000			2,138,000	208,000	61,170	
Total Bonds										
Loses										
U.S. Department of Agriculture	1.0	11/28/04	11-28/2020/24	1,020,000	232,704	30,741	106,983	30,328	1,095	
U.S. Department of Agriculture	1.0	04/26/08	4/24/2020/26	775,000	301,744	28,842	272,952	28,131	2,744	
United Community Bank - Self Course	3.5	11/15/04	10-15/2021	300,000	319,750	36,750				
Total										
Total Primary Government Indebtedness										
Loans Payable										
VGM Financial Services										
United Community Bank - Self Course										
Total Component Unit Indebtedness										
Total Indebtedness										

Purpose of the Report

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

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

June 16, 2020

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

This page intentionally left blank

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Perham, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Perham, Minnesota's basic financial statements and have issued our report thereon dated June 16, 2020. We did not express an opinion on the discretely presented component units because we were not engaged to audit the discretely presented component units. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the discretely presented component units.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings as Item 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

CITY OF PIERHAM, MINNESOTA
SCHEDULE OF FINDINGS
DECEMBER 31, 2019

The City's Response to Finding

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

Purpose of this Report

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

Brady Martz

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

June 16, 2020

2019-001 FINDING

Criteria

An appropriate system of internal control requires the City to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition

The City's personnel prepare periodic financial information for internal use that meets the needs of management and the city council. However, the City currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The City has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The City elected to have the auditor assist with the preparation of the financial statements for efficiency.

Effect

There is an increased risk of material misstatement to the City's financial statements.

Recommendation

We recommend the City consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures. As a compensating control, the City should establish an internal control policy to document the annual review of the financial statement and to review a financial statement disclosure checklist.

View of Responsible Officials and Planned Corrective Action

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

CITY OF PERHAM, MINNESOTA
CORRECTIVE ACTION PLAN
DECEMBER 31, 2019

2019-001 FINDING

Contact Person - Patti Stokke, Finance Officer

Corrective Action Plan - Will establish policy to document review of financial statements and notes.

Completion Date - Ongoing

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)



City of Perham, Minnesota

[Purchaser]
[City, State]

Re: \$[PAR] General Obligation Improvement Bonds, Series 2021D
City of Perham, Minnesota

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the City of Perham, Minnesota (the "City"), of the obligations described above, dated, as originally issued as of May [], 2021 (the "Bonds"). In that capacity, we have reviewed copies of certain proceedings taken by the City Council in the authorization, sale and issuance of the Bonds, including the form of the Bonds and certain other proceedings and documents furnished by the City and others. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

1. The Bonds are valid and binding general obligations of the City, enforceable in accordance with their terms.

2. The principal of and interest on the Bonds are payable from special assessments levied against specially benefitted properties, which assessments are expected to produce amounts sufficient to pay the principal and interest on the Bonds when due; but, if necessary for the payment of such principal and interest, ad valorem taxes are required by law to be levied on all taxable property in the City without limitation as to rate or amount.

3. Interest on the Bonds (a) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code.

4. Interest on the Bonds (a) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, trusts, and estates.

5. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

The opinions expressed in paragraphs 1 and 2 above are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors' rights and the application of equitable principles, whether considered at law or in equity.

City of Perham, Minnesota
[Purchaser]
Page 2

The opinions expressed in paragraphs 3, 4, and 5 above are subject to the compliance by the City with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes or the Bonds failing to be qualified tax-exempt obligations, retroactive to the date of issuance of the Bonds.

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds. We note, however, that notwithstanding the opinion expressed in paragraph 4 above, interest on the Bonds is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

In providing this opinion, we have relied upon representations of the City and its officers as to (i) the intended application of the proceeds of the Bonds, (ii) the nature, use, cost, and economic life of the facilities and equipment financed by the Bonds, and (iii) other matters relating to the exemption of the interest on the Bonds from federal income taxation.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may occur after the date hereof and which may be retroactive.

Dated this [____] day of May, 2021.

Very truly yours,

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX D

FORM OF CONTINUING DISCLOSURE COVENANTS (EXCERPTS FROM AWARD RESOLUTION)

(See following pages)

APPENDIX D

CONTINUING DISCLOSURE COVENANTS

Continuing Disclosure. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the City hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Bonds. The City is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the City fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any Outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (ii) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The City will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the City, the following information at the following times:

- (1) on or before twelve (12) months after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2020, the following financial information and operating data in respect of the City (the Disclosure Information):
 - (A) the audited financial statements of the City for such fiscal year, prepared in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the City; and
 - (B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under headings: "VALUATIONS – Current Property Valuations"; "DEBT – Direct Debt"; "TAX RATES, LEVIES AND COLLECTIONS – Tax Levies and Collections"; "GENERAL

INFORMATION – U.S. Census Data – Population Trend”; and “– Employment/Unemployment Data.”

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the City shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access System (“EMMA”) or to the SEC. The City shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the City shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

- (2) In a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events (each a “Material Fact”):
- (A) Principal and interest payment delinquencies;
 - (B) Non-payment related defaults, if material;
 - (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (E) Substitution of credit or liquidity providers, or their failure to perform;
 - (F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
 - (G) Modifications to rights of security holders, if material;
 - (H) Bond calls, if material, and tender offers;
 - (I) Defeasances;
 - (J) Release, substitution, or sale of property securing repayment of the securities, if material;
 - (K) Rating changes;
 - (L) Bankruptcy, insolvency, receivership or similar event of the obligated person;
 - (M) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - (N) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (O) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar

- terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- (P) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For purposes of the events identified in paragraphs (O) and (P) above, the term “financial obligation” means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

As used herein, for those events that must be reported if material, an event is “material” if it is an event as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, an event is also “material” if it is an event that would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (3) In a timely manner, notice of the occurrence of any of the following events or conditions:
- (A) the failure of the City to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
 - (B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the City under subsection (d)(2);
 - (C) the termination of the obligations of the City under this section pursuant to subsection (d);
 - (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
 - (E) any change in the fiscal year of the City.

(c) Manner of Disclosure.

- (1) The City agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).
- (2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

- (1) The covenants of the City in this section shall remain in effect so long as any Bonds are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this section shall terminate and be without further effect as of any date on which the City delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successor to or amendatory thereof.
- (2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided in paragraph (c)(3) hereof) or the consent of the Owners of any Bonds, by a resolution of this Council filed in the office of the recording officer of the City accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of operations conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondholders under the Rule.

If the Disclosure Information is so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

- (3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

APPENDIX E

TERMS OF PROPOSAL

\$880,000* GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2021D CITY OF PERHAM, MINNESOTA

Proposals for the purchase of \$880,000* General Obligation Improvement Bonds, Series 2021D (the "Bonds") of the City of Perham, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:30 A.M. Central Time, on May 10, 2021, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 5:15 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, by the City for the purpose of financing various public improvements within the City. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated May 27, 2021, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2023	\$50,000	2030	\$45,000	2037	\$40,000
2024	50,000	2031	45,000	2038	40,000
2025	50,000	2032	45,000	2039	40,000
2026	50,000	2033	45,000	2040	40,000
2027	45,000	2034	45,000	2041	40,000
2028	45,000	2035	40,000	2042	40,000
2029	45,000	2036	40,000		

ADJUSTMENT OPTION

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2022, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2031 shall be subject to optional redemption prior to maturity on February 1, 2030 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about May 27, 2021, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the City.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$866,800 plus accrued interest on the principal sum of \$880,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:30 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$17,600 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals.
The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

ESTABLISHMENT OF ISSUE PRICE AT TIME OF AWARD

In order to establish the issue price of the Bonds for federal income tax purposes, the City requires bidders to agree to the following, and by submitting a proposal, each bidder agrees to the following.

If a proposal is submitted by a potential underwriter, the bidder confirms that (i) the underwriters have offered or reasonably expect to offer the Bonds to the public on or before the date of the award at the offering price (the "initial offering price") for each maturity as set forth in the proposal and (ii) the bidder, if it is the winning bidder, shall require any agreement among underwriters, selling group agreement, retail distribution agreement or other agreement relating to the initial sale of the Bonds to the public to which it is a party to include provisions requiring compliance by all parties to such agreements with the provisions contained herein. For purposes hereof, Bonds with a separate CUSIP number constitute a separate "maturity", and the public does not include underwriters (including members of a selling group or retail distribution group) or persons related to underwriters.

If, however, a proposal is submitted for the bidder's own account in a capacity other than as an underwriter of the Bonds, and the bidder has no current intention to sell, reoffer, or otherwise dispose of the Bonds, the bidder shall notify the City to that effect at the time it submits its proposal and shall provide a certificate to that effect in place of the certificate otherwise required below.

If the winning bidder intends to act as an underwriter, the City shall advise the winning bidder at or prior to the time of award whether (i) the competitive sale rule or (ii) the "hold-the-offering price" rule applies.

If the City advises the Purchaser that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies, the Purchaser will be required to deliver to the City at or prior to closing a certification, in a form reasonably acceptable to bond counsel, as to the reasonably expected initial offering price as of the award date.

If the City advises the Purchaser that the requirements for a competitive sale have not been satisfied and that the hold-the-offering price rule applies, the Purchaser shall (1) upon the request of the City confirm that the underwriters did not offer or sell any maturity of the Bonds to any person at a price higher than the initial offering price of that maturity during the period starting on the award date and ending on the earlier of (a) the close of the fifth business day after the sale date or (b) the date on which the underwriters have sold at least 10% of that maturity to the public at or below the initial offering price; and (2) at or prior to closing, deliver to the City a certification as to such matters, in a form reasonably acceptable to bond counsel, together with a copy of the pricing wire.

Any action taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by Ehlers & Associates, Inc.

Bidders should prepare their proposals on the assumption that the Bonds will be subject to the "hold-the-offering-price" rule. Any proposal submitted pursuant to the Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, and Bonds submitted will not be subject to cancellation or withdrawal.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

City of Perham, Minnesota

PROPOSAL FORM

The City Council
City of Perham, Minnesota (the "City")

May 10, 2021

RE: \$880,000* General Obligation Improvement Bonds, Series 2021D (the "Bonds")
DATED: May 27, 2021

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$ _____ (not less than \$866,800) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2023	_____ % due	2030	_____ % due	2037
_____ % due	2024	_____ % due	2031	_____ % due	2038
_____ % due	2025	_____ % due	2032	_____ % due	2039
_____ % due	2026	_____ % due	2033	_____ % due	2040
_____ % due	2027	_____ % due	2034	_____ % due	2041
_____ % due	2028	_____ % due	2035	_____ % due	2042
_____ % due	2029	_____ % due	2036		

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of \$17,600 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about May 27, 2021.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds.
YES: _____ NO: _____.

If the competitive sale requirements are not met, we elect to use either the: _____ 10% test, or the _____ hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
Account Members: _____

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from May 27, 2021 of the above proposal is \$ _____ and the true interest cost (TIC) is _____ %.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Perham, Minnesota, on May 10, 2021.

By: _____
Title: _____