



Financial Statements
December 31, 2021

City of Morris, Minnesota

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City of Morris, Minnesota
Elected and Appointed Officials (Unaudited)
Year Ended December 31, 2021

<u>Name</u>	<u>Position</u>	<u>Term Expires January 1,</u>
Council		
Sheldon Giese	Mayor	2023
Kim Gullickson	Council Member	2025
Kevin Wohlers	Council Member	2025
Brian Solvie	Council Member	2023
Jeff Miller	Council Member	2023
Officials		
Blaine Hill	City Manager	
Whitney Millard	Finance Director	



Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of Morris, Minnesota

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying 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, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the City's Total OPEB Liability and Related Ratios, the Schedule of Employer's Proportionate Share of Net Pension Liability and Schedule of Employer's Contributions, the Schedule of Changes in Net Pension Liability - Fire Relief Association, and Schedule of Employer Contributions and Non-Employer Contributing Entities - Fire Relief Association be presented to supplement the basic financial statements as listed in the Table of Contents. 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.

Management has omitted the management's discussion and analysis that the accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the listing of elected and appointed officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated April 22, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Report on Other Legal and Regulatory Requirements

In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated April 22, 2022, on our consideration of the City's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for Cities. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor's Minnesota Legal Compliance Audit Guide for Cities in considering the City's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.



Fargo, North Dakota
April 22, 2022

City of Morris, Minnesota

Statement of Net Position

December 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 7,336,847	\$ 3,967,671	\$ 11,304,518
Restricted cash	-	208,487	208,487
Receivables			
Accounts	289,073	271,010	560,083
Property taxes	44,813	-	44,813
Special assessments	1,165,646	31,199	1,196,845
Intergovernmental	228,552	-	228,552
Inventories	12,307	216,841	229,148
Prepaid items	180,816	47,822	228,638
Net pension asset - fire relief association	237,431	-	237,431
Capital assets, net of accumulated depreciation			
Land	515,820	187,412	703,232
Construction in progress	3,435,086	303,235	3,738,321
Buildings	2,272,641	17,276,687	19,549,328
Improvements other than buildings	1,157,393	6,369,920	7,527,313
Machinery and equipment	3,271,268	398,817	3,670,085
Infrastructure	12,083,065	-	12,083,065
Total assets	<u>32,230,758</u>	<u>29,279,101</u>	<u>61,509,859</u>
Deferred Outflows of Resources			
Pension plans	<u>1,170,850</u>	<u>208,351</u>	<u>1,379,201</u>
Liabilities			
Interest payable	92,112	21,592	113,704
Accounts payable	124,673	54,698	179,371
Accrued wages payable	34,097	9,318	43,415
Due to other governmental units	17,308	27,431	44,739
Unearned revenue	56,590	-	56,590
Noncurrent liabilities			
Due within one year - other than OPEB and pension liabilities	1,126,207	189,000	1,315,207
Due in more than one year - other than OPEB and pension liabilities	6,805,714	5,232,000	12,037,714
Due in more than one year - Total OPEB obligations	258,400	-	258,400
Due in more than one year - net pension liability	<u>1,061,189</u>	<u>283,432</u>	<u>1,344,621</u>
Total liabilities	<u>9,576,290</u>	<u>5,817,471</u>	<u>15,393,761</u>
Deferred Inflows of Resources			
Pension plans	<u>1,648,578</u>	<u>263,612</u>	<u>1,912,190</u>
Net Position			
Net investment in capital assets	15,131,478	19,115,071	34,246,549
Restricted	3,080,008	-	3,080,008
Unrestricted	<u>3,965,254</u>	<u>4,291,298</u>	<u>8,256,552</u>
Total net position	<u>\$ 22,176,740</u>	<u>\$ 23,406,369</u>	<u>\$ 45,583,109</u>

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

City of Morris, Minnesota
Statement of Activities
Year Ended December 31, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 1,093,562	\$ 26,499	\$ -	\$ -	\$ (1,067,063)	\$ -	\$ (1,067,063)
Public safety	1,265,043	196,391	390,956	7,925	(669,771)	-	(669,771)
Public works	1,501,009	61,349	440,743	-	(998,917)	-	(998,917)
Culture and recreation	850,723	93,054	-	-	(757,669)	-	(757,669)
Conservation and economic development	422,846	10,458	-	-	(412,388)	-	(412,388)
Airport	478,944	142,690	31,050	558,413	253,209	-	253,209
Transit	498,203	51,469	465,302	-	18,568	-	18,568
Interest on long-term debt	314,008	-	-	-	(314,008)	-	(314,008)
Total governmental activities	<u>6,424,338</u>	<u>581,910</u>	<u>1,328,051</u>	<u>566,338</u>	<u>(3,948,039)</u>	<u>-</u>	<u>(3,948,039)</u>
Business-type activities							
Water	1,145,071	1,368,872	-	716	-	224,517	224,517
Sewer	389,524	564,440	-	88	-	175,004	175,004
Liquor	2,195,002	2,360,388	-	-	-	165,386	165,386
Refuse collection	388,332	408,767	-	-	-	20,435	20,435
Total business-type activities	<u>4,117,929</u>	<u>4,702,467</u>	<u>-</u>	<u>804</u>	<u>-</u>	<u>585,342</u>	<u>585,342</u>
Total Primary Government	<u>\$ 10,542,267</u>	<u>\$ 5,284,377</u>	<u>\$ 1,328,051</u>	<u>\$ 567,142</u>	<u>(3,948,039)</u>	<u>585,342</u>	<u>(3,362,697)</u>
General revenues (expenses) and transfers							
Property taxes					1,572,579	-	1,572,579
Franchise tax					323,028	-	323,028
Grants and contributions not restricted for specific programs					2,508,776	-	2,508,776
Unrestricted investment earnings					54,094	26,910	81,004
Miscellaneous					607,863	90,504	698,367
Transfers					256,491	(256,491)	-
Total general revenue (expenses)					<u>5,322,831</u>	<u>(139,077)</u>	<u>5,183,754</u>
Change in net position					1,374,792	446,265	1,821,057
Net position - beginning of year					20,801,948	22,960,104	43,762,052
Net position - ending of year					<u>\$ 22,176,740</u>	<u>\$ 23,406,369</u>	<u>\$ 45,583,109</u>

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

City of Morris, Minnesota

Governmental Funds

Balance Sheet

December 31, 2021

	General	2017A G.O. Improvement Bonds	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 4,107,157	\$ 563,026	\$ 2,293,199	\$ 6,963,382
Receivables				
Accounts	255,957	-	22,658	278,615
Property taxes	25,873	2,268	16,672	44,813
Special assessments	16,192	393,704	755,750	1,165,646
Intergovernmental	38,188	-	200,822	239,010
Advances due from other funds	247,000	-	-	247,000
Inventories	12,307	-	-	12,307
Prepaid items	169,351	-	9,179	178,530
Total assets	\$ 4,872,025	\$ 958,998	\$ 3,298,280	\$ 9,129,303
Liabilities				
Accounts payable	\$ 78,258	\$ -	\$ 41,047	\$ 119,305
Accrued wages payable	28,900	-	4,106	33,006
Due to other governmental units	17,299	-	9	17,308
Advances due to other funds	-	-	247,000	247,000
Unearned revenue	56,590	-	-	56,590
Total liabilities	181,047	-	292,162	473,209
Deferred Inflows of Resources				
Unavailable revenue-property taxes	25,873	2,268	16,672	44,813
Unavailable revenue-special assessments	16,192	393,704	755,752	1,165,648
Total deferred inflows of resources	42,065	395,972	772,424	1,210,461
Fund Balances				
Nonspendable	181,658	-	9,179	190,837
Restricted	-	563,026	2,285,437	2,848,463
Committed	4,072,365	-	-	4,072,365
Unassigned	394,890	-	(60,922)	333,968
Total fund balances	4,648,913	563,026	2,233,694	7,445,633
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,872,025	\$ 958,998	\$ 3,298,280	\$ 9,129,303

City of Morris, Minnesota
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
 December 31, 2021

Total Fund Balances - Governmental Funds	\$ 7,445,633
<p>Amounts reported for governmental activities are not financial resources and, therefore, not reported in the governmental funds.</p>	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	22,647,777
Other long-term assets not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	1,210,461
Long-term assets from pensions reported in governmental activities are not financial resources and, therefore, are not reported in the funds.	237,431
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	(470,170)
Internal service funds are used by the City to charge the costs of certain activities, such as vehicle maintenance, replacement of City vehicles and equipment and employee benefits to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	82,339
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(92,112)
Net OPEB obligations are not recognized in the funds.	(258,400)
Long-term liabilities, including compensated absences, bonds and notes payable, capital leases and net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(8,626,219)</u>
Net Position of Governmental Activities	<u><u>\$ 22,176,740</u></u>

City of Morris, Minnesota
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended December 31, 2021

	General	2017A G.O. Improvement Bonds	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 955,083	\$ 77,151	\$ 557,641	\$ 1,589,875
Tax increments	-	-	198,367	198,367
Special assessments	5,834	80,079	209,619	295,532
Licenses and permits	49,816	-	-	49,816
Intergovernmental revenue	2,837,198	-	1,239,560	4,076,758
Charges for services	371,615	-	62,211	433,826
Fines and forfeitures	25,132	-	-	25,132
Lodging tax	2,921	-	65,962	68,883
Contributions and donations	10,795	-	18,801	29,596
Franchise fees	323,028	-	-	323,028
Interest earnings	29,141	3,945	18,238	51,324
Miscellaneous revenues	196,930	-	365	197,295
Total revenues	<u>4,807,493</u>	<u>161,175</u>	<u>2,370,764</u>	<u>7,339,432</u>
Expenditures				
Current				
General government	727,482	-	-	727,482
Public safety	1,198,378	-	-	1,198,378
Public works	887,254	-	-	887,254
Culture and recreation	369,990	-	309,923	679,913
Conservation and economic development	75,051	-	-	75,051
Airport	173,482	-	-	173,482
Transit	471,976	-	-	471,976
Other	50,330	-	272,723	323,053
Capital outlay	827,352	-	920,518	1,747,870
Debt service				
Principal	-	120,000	981,568	1,101,568
Interest and fees	37,315	54,500	171,746	263,561
Capital lease principal	68,645	-	-	68,645
Total expenditures	<u>4,887,255</u>	<u>174,500</u>	<u>2,656,478</u>	<u>7,718,233</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(79,762)	(13,325)	(285,714)	(378,801)
Other Financing Sources (Uses)				
Transfers from other funds	97,900	11,518	304,273	413,691
Transfers to other funds	-	-	(153,600)	(153,600)
Capital lease proceeds	146,105	-	-	146,105
Proceeds from sale of capital assets	52,382	-	-	52,382
Total other financing sources (uses)	<u>296,387</u>	<u>11,518</u>	<u>150,673</u>	<u>458,578</u>
Net Change in Fund Balances	216,625	(1,807)	(135,041)	79,777
Fund Balance - Beginning of Year	4,432,288	564,833	2,368,735	7,365,856
Fund Balance - End of Year	<u>\$ 4,648,913</u>	<u>\$ 563,026</u>	<u>\$ 2,233,694</u>	<u>\$ 7,445,633</u>

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

City of Morris, Minnesota
 Reconciliation of Revenues, Expenditures and Changes in
 Fund Balance of Governmental Funds to the Statement of Activities
 Year Ended December 31, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ 79,777
<p>Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense.</p>	
Capital outlay	1,424,421
Depreciation expense	(1,303,501)
Loss on disposal of capital assets	(84,264)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	(215,663)
<p>In the statement of activities OPEB obligations 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.</p>	
	(12,861)
<p>In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.</p>	
	285,123
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principle of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
	1,179,452
<p>Internal service funds are used by the City to charge the costs of certain activities, such as vehicle maintenance and compensated absences to certain funds. The net revenue of the internal service funds is reported in governmental activities.</p>	
	22,308
Change in Net Position of Governmental Activities	\$ 1,374,792

City of Morris, Minnesota

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended December 31, 2021

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
Revenues				
Property taxes	\$ 966,064	\$ 966,064	\$ 955,083	\$ (10,981)
Special assessments	5,868	5,868	5,834	(34)
Licenses and permits	25,850	25,850	49,816	23,966
Intergovernmental revenue	2,922,125	2,922,125	2,837,198	(84,927)
Charges for services	367,500	367,500	371,615	4,115
Lodging tax	3,300	3,300	2,921	(379)
Fines and forfeitures	20,500	20,500	25,132	4,632
Contributions and donations	10,500	10,500	10,795	295
Franchise fees	264,500	264,500	323,028	58,528
Interest earnings	25,000	25,000	29,141	4,141
Miscellaneous revenues	153,842	153,842	196,930	43,088
Total revenues	<u>4,765,049</u>	<u>4,765,049</u>	<u>4,807,493</u>	<u>42,444</u>
Expenditures				
General government				
Council and mayor	57,113	57,113	43,720	13,393
City manager	228,121	228,121	227,799	322
Elections	-	-	44	(44)
Finance	275,292	275,292	264,505	10,787
Assessing	32,640	32,640	32,640	-
Auditing	25,000	25,000	20,300	4,700
City attorney	47,000	47,000	44,500	2,500
Employee safety	1,000	1,000	379	621
Planning and zoning	700	700	312	388
Building maintenance	21,850	21,850	90,775	(68,925)
Parking	2,300	2,300	2,508	(208)
Capital outlay	239,686	239,686	170,010	69,676
Total general government	<u>930,702</u>	<u>930,702</u>	<u>897,492</u>	<u>33,210</u>
Public safety				
Police	1,031,152	1,031,152	938,988	92,164
Fire department	188,524	188,524	169,750	18,774
Fire prevention for kids	4,370	4,370	3,334	1,036
Building inspections	45,728	45,728	49,197	(3,469)
Rental inspections	28,000	28,000	36,361	(8,361)
Civil defense	-	-	748	(748)
Capital outlay	86,980	86,980	88,364	(1,384)
Total public safety	<u>1,384,754</u>	<u>1,384,754</u>	<u>1,286,742</u>	<u>98,012</u>
Public works				
Street maintenance	533,837	533,837	793,409	(259,572)
Ice and snow removal	23,800	23,800	16,702	7,098
Street lighting	61,100	61,100	77,143	(16,043)
Capital outlay	419,000	419,000	408,117	10,883
Total public works	<u>1,037,737</u>	<u>1,037,737</u>	<u>1,295,371</u>	<u>(257,634)</u>

City of Morris, Minnesota

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Expenditures, Continued				
Culture and recreation				
Community education	54,410	54,410	63,410	(9,000)
Parks	390,432	390,432	306,580	83,852
Capital outlay	44,000	44,000	160,861	(116,861)
Total culture and recreation	<u>488,842</u>	<u>488,842</u>	<u>530,851</u>	<u>(42,009)</u>
Conservation and economic development				
Shade Tree	15,500	15,500	24,258	(8,758)
Economic development	53,081	53,081	50,793	2,288
Total conservation and economic development	<u>68,581</u>	<u>68,581</u>	<u>75,051</u>	<u>(6,470)</u>
Other				
Airport	185,244	185,244	173,482	11,762
Transit	508,928	508,928	471,976	36,952
Capital lease principal	-	-	68,645	(68,645)
Interest and fees	129,854	129,854	37,315	92,539
Unallocated expenditures	110,346	110,346	50,330	60,016
Capital Outlay	85,000	85,000	-	85,000
Total other	<u>1,019,372</u>	<u>1,019,372</u>	<u>801,748</u>	<u>217,624</u>
Total expenditures	<u>4,929,988</u>	<u>4,929,988</u>	<u>4,887,255</u>	<u>42,733</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(164,939)	(164,939)	(79,762)	(85,177)
Other Financing Sources (Uses)				
Transfers from other funds	640,251	640,251	97,900	(542,351)
Transfers to other funds	(542,351)	(542,351)	-	542,351
Capital lease proceeds	-	-	146,105	146,105
Sale of capital assets	10,000	10,000	52,382	42,382
Total other financing sources (uses)	<u>107,900</u>	<u>107,900</u>	<u>296,387</u>	<u>188,487</u>
Net Change in Fund Balances	<u>\$ (57,039)</u>	<u>\$ (57,039)</u>	216,625	<u>\$ 273,664</u>
Fund Balance - Beginning of Year			<u>4,432,288</u>	
Fund Balance - End of Year			<u>\$ 4,648,913</u>	

City of Morris, Minnesota
Proprietary Funds
Statement of Net Position
December 31, 2021

	Major Funds			Nonmajor Fund	Totals	Governmental
	Water	Sewer	Liquor	Refuse Collection		Activities - Internal Service Funds
Assets						
Current Assets						
Cash and cash equivalents	\$ 1,124,742	\$ 1,635,641	\$ 1,167,668	\$ 39,620	\$ 3,967,671	\$ 373,465
Restricted cash	208,487	-	-	-	208,487	-
Receivables						
Accounts	144,938	59,444	27,910	38,718	271,010	-
Special assessments	29,579	1,620	-	-	31,199	-
Inventories	63,348	-	153,493	-	216,841	-
Prepaid items	26,766	10,928	10,128	-	47,822	2,286
Total current assets	1,597,860	1,707,633	1,359,199	78,338	4,743,030	375,751
Noncurrent Assets						
Capital assets						
Land	33,368	154,044	-	-	187,412	-
Construction in progress	303,235	-	-	-	303,235	-
Building	18,004,452	-	296,057	-	18,300,509	-
Improvements other than buildings	7,381,387	7,090,561	95,618	-	14,567,566	22,853
Machinery and equipment	599,568	539,655	17,575	-	1,156,798	95,773
Less accumulated depreciation	(4,507,660)	(5,230,281)	(241,508)	-	(9,979,449)	(31,130)
Net capital assets	21,814,350	2,553,979	167,742	-	24,536,071	87,496
Total noncurrent assets	21,814,350	2,553,979	167,742	-	24,536,071	87,496
Total assets	23,412,210	4,261,612	1,526,941	78,338	29,279,101	463,247
Deferred Outflows of Resources						
Pension plans	92,360	41,315	74,676	-	208,351	28,496
Liabilities						
Current Liabilities						
Interest payable	21,592	-	-	-	21,592	-
Accounts payable	14,065	2,129	38,269	235	54,698	5,368
Accrued wages payable	3,999	2,131	3,188	-	9,318	1,091
Compensated absences payable	-	-	-	-	-	109,375
Due to other governmental units	522	-	22,655	4,254	27,431	-
Current portion of long-term debt	189,000	-	-	-	189,000	-
Total current liabilities	229,178	4,260	64,112	4,489	302,039	115,834
Noncurrent Liabilities						
Bonds and notes payable	5,232,000	-	-	-	5,232,000	-
Compensated absences payable	-	-	-	-	-	218,751
Net pension liability	125,643	56,203	101,586	-	283,432	38,765
Total noncurrent liabilities	5,357,643	56,203	101,586	-	5,515,432	257,516
Total liabilities	5,586,821	60,463	165,698	4,489	5,817,471	373,350
Deferred Inflows of Resources						
Pension plans	116,857	52,273	94,482	-	263,612	36,054
Net Position						
Net investment in capital assets	16,393,350	2,553,979	167,742	-	19,115,071	87,496
Restricted	208,487	-	-	-	208,487	-
Unrestricted	1,199,055	1,636,212	1,173,695	73,849	4,082,811	(5,157)
Total net position	\$ 17,800,892	\$ 4,190,191	\$ 1,341,437	\$ 73,849	\$ 23,406,369	\$ 82,339

City of Morris, Minnesota
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2021

	Major Funds			Nonmajor Fund	Totals	Governmental
	Water	Sewer	Liquor	Refuse Collection		Activities - Internal Service Funds
Operating Revenues						
Charges for services	\$ 1,368,872	\$ 564,440	\$ 2,360,388	\$ 408,767	\$ 4,702,467	\$ 217,863
Cost of sales	-	-	(1,834,593)	-	(1,834,593)	(57,831)
Total operating revenues	<u>1,368,872</u>	<u>564,440</u>	<u>525,795</u>	<u>408,767</u>	<u>2,867,874</u>	<u>160,032</u>
Operating Expenses						
Water pumping	3,730	-	-	-	3,730	-
Water treatment	253,203	-	-	-	253,203	-
Water distribution	126,037	-	-	-	126,037	-
Water administration	142,061	96,875	-	-	238,936	-
Wastewater	-	193,902	-	-	193,902	-
Refuse collection	-	-	-	388,332	388,332	-
Other services and charges	-	-	348,979	-	348,979	130,295
Depreciation	536,473	98,747	11,430	-	646,650	6,599
Total operating expenses	<u>1,061,504</u>	<u>389,524</u>	<u>360,409</u>	<u>388,332</u>	<u>2,199,769</u>	<u>136,894</u>
Operating Income	307,368	174,916	165,386	20,435	668,105	23,138
Nonoperating Revenues (Expenses)						
Interest income	8,366	10,784	7,452	308	26,910	2,770
Other income	55,317	891	31,087	3,209	90,504	-
Interest expense	(83,567)	-	-	-	(83,567)	-
Special assessment - interest	716	88	-	-	804	-
Total nonoperating revenues (expenses)	<u>(19,168)</u>	<u>11,763</u>	<u>38,539</u>	<u>3,517</u>	<u>34,651</u>	<u>2,770</u>
Income before Transfers	288,200	186,679	203,925	23,952	702,756	25,908
Transfers out	<u>(89,865)</u>	<u>(62,267)</u>	<u>(82,359)</u>	<u>(22,000)</u>	<u>(256,491)</u>	<u>(3,600)</u>
Change in Net Position	198,335	124,412	121,566	1,952	446,265	22,308
Net Position - Beginning	<u>17,602,557</u>	<u>4,065,779</u>	<u>1,219,871</u>	<u>71,897</u>	<u>22,960,104</u>	<u>60,031</u>
Net Position - Ending	<u>\$ 17,800,892</u>	<u>\$ 4,190,191</u>	<u>\$ 1,341,437</u>	<u>\$ 73,849</u>	<u>\$ 23,406,369</u>	<u>\$ 82,339</u>

City of Morris, Minnesota
Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2021

	Major Funds			Nonmajor Fund	Totals	Governmental
	Water	Sewer	Liquor	Refuse Collection		Activities - Internal Service Funds
Operating Activities						
Receipts from customers and users	\$ 1,364,368	\$ 567,907	\$ 2,360,604	\$ 409,062	\$ 4,701,941	\$ -
Receipts from interfund services provided	-	-	-	-	-	217,863
Payments to vendors	(365,770)	(186,864)	(1,697,957)	(387,989)	(2,638,580)	(64,250)
Payments to employees	(208,055)	(109,950)	(519,416)	-	(837,421)	(114,487)
Net Cash from Operating Activities	790,543	271,093	143,231	21,073	1,225,940	39,126
Noncapital Financing Activity						
Change in interfund balances	500,000	500,000	500,000	-	1,500,000	(9,451)
Other income	55,318	890	31,087	3,209	90,504	-
Transfer out	(89,865)	(62,267)	(82,359)	(22,000)	(256,491)	(3,600)
Net Cash from (Used for) Noncapital Financing Activities	465,453	438,623	448,728	(18,791)	1,334,013	(13,051)
Capital and Related Financing Activities						
Acquisition of capital assets	(303,235)	-	(62,021)	-	(365,256)	-
Special assessments and other	(5,582)	223	-	-	(5,359)	-
Payments on long-term debt						
Principal	(187,641)	-	-	-	(187,641)	-
Interest	(61,975)	-	-	-	(61,975)	-
Net Cash from (Used for) Capital and Related Financing Activities	(558,433)	223	(62,021)	-	(620,231)	-
Investing Activity						
Interest earnings	8,366	10,784	7,452	308	26,910	2,770
Net Change in Cash and Cash Equivalents	705,929	720,723	537,390	2,590	1,966,632	28,845
Cash and Cash Equivalents, Beginning of Year	627,300	914,918	630,278	37,030	2,209,526	344,620
Cash and Cash Equivalents, End of Year	\$ 1,333,229	\$ 1,635,641	\$ 1,167,668	\$ 39,620	\$ 4,176,158	\$ 373,465
Reconciliation of Operating Income to Net Cash from Operating Activities						
Operating income	\$ 307,368	\$ 174,916	\$ 165,386	\$ 20,435	\$ 668,105	\$ 23,137
Adjustments to reconcile operating income to net cash from operating activities						
Depreciation	536,473	98,747	11,430	-	646,650	6,599
Change in assets and liabilities						
Accounts receivable	(4,504)	3,467	216	295	(526)	-
Inventories	(12,919)	-	(2,699)	-	(15,618)	-
Prepaid items	1,725	(968)	(538)	-	219	(103)
Accounts payable	(23,431)	654	(20,961)	235	(43,503)	(1,187)
Accrued wages payable	841	500	1,004	-	2,345	240
Net pension liability and related deferred inflows and outflows of resources	(14,974)	(6,223)	(9,651)	-	(30,848)	(5,128)
Due to other governmental units	(36)	-	(956)	108	(884)	-
Compensated absences payable	-	-	-	-	-	15,568
Net Cash from Operating Activities	\$ 790,543	\$ 271,093	\$ 143,231	\$ 21,073	\$ 1,225,940	\$ 39,126

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

Note 1 - Summary of Significant Accounting Policies

The City of Morris, Minnesota (the City of Morris or the City) was incorporated in 1903 and operates under a mayor-council form of government. The accounting policies of the City conform to accounting principles generally accepted in the United States of America applicable to governmental units. The following is a summary of the significant policies:

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations and so data from these units are combined with data of the primary government.

Based on the preceding criteria, the following blended component unit has been included in the accompanying financial statements:

- The Economic Development Authority (EDA or the Authority) governing board is substantively the same as the City Council. Debt issued for authority activities is payable from dedicated revenues such as tax increment levies and may pledge the faith and credit of the Authority and the City. Tax increment districts created and administered by the Authority are reported as special revenue funds. The EDA does not issue separate financial statements.

Government-Wide and Fund Financial Statements

The goal of government-wide financial statements is to present a broad overview of government's finances. The basic statements that form the government-wide financial statements are the statement of net position and the statement of activities. These two statements report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally financed through taxes and intergovernmental revenues, are reported separately from business-type activities, which are normally financed through user fees and charges for goods or services.

The statement of activities reports gross direct expenses by function reduced by program revenues. This results in a measurement of net revenue or expense for each of the government's activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function or business-type activity and include: 1) charges for services and 2) operating or capital grants and contributions that are restricted to a particular function. Tax and other items not properly included among program revenues are reported instead as general revenues.

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

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis, 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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the 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 claims and judgments, are recorded when the payment is due.

Property taxes, 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 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.

The City reports the following major governmental funds:

- General Fund - The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- 2017A G.O Improvement Bonds Fund - This fund is used to account for the resources accumulated and payments made relating to the 2017A General Obligation Bonds of the City.

The City reports the following major proprietary funds:

- Water - This fund accounts for the provision of water utility service to the residents of the City.
- Sewer - This fund accounts for the provision of sewer service to residents of the City.
- Liquor - This fund accounts for the operation of the City's municipal liquor store.

Additionally, the City reports the following fund type:

- Internal Service Funds - These funds account for the following activities provided to other departments of the City on a cost reimbursement basis: central garage and compensated absences.

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

With respect to both the business-type activities in the government-wide financial statements and the proprietary fund financial statements the City has adopted GASB statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."

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

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

Budgets

Budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the General Fund. In addition to the General Fund, the City adopted budgets for various nonmajor funds.

Budgeted amounts are reported as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to the original appropriations that were adjusted. Any changes in the budget must be approved by a majority vote of the City Council. The legal level of budgetary control is the department level. All unexpended appropriations lapse at year-end. The City does not utilize encumbrance accounting and reporting.

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

Cash and Cash Equivalents

The City maintains a cash and investment pool, which includes interest bearing checking accounts and money market funds that are used by substantially all city funds. Interest income is allocated to the funds based on average monthly cash and investment balances.

Cash equivalents consist of a money market fund and are stated at fair value, which is the same as the value of the pool shares.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash equivalents.

Restricted cash for the city relates to funds set aside for future water treatment plant maintenance and replacement.

Receivables and Credit Policy

The accounts receivable are uncollateralized customer obligation due under normal terms requiring payment within 30 days from the invoice date. After 30 days, a penalty of 10% is added to the outstanding balance. After 45 days, if payment is not received, the service is disconnected. The City estimates an allowance for doubtful accounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary. As of December 31, 2021 and 2020, the allowance for doubtful accounts was zero.

Inventories

Inventories of the proprietary funds are presented on an average cost basis. Inventories of governmental funds are recorded as expenditures when purchased.

Prepaid Items

Certain cash payments to vendors reflects costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and are recorded as an expense or expenditure at the time of consumption.

Capital Assets

Capital assets, which include land, buildings, improvements, equipment and infrastructure assets (e.g. streets, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated life of more than two years. Such assets are recorded at historical cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their acquisition value on the date received.

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

The City reviews its property for impairment whenever events indicate the decline in service utility of the capital asset is significant in magnitude and the event or change in circumstances is outside the normal cycle of the capital asset.

Mains and lines, infrastructure, buildings, improvements and equipment of the City are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Mains and lines	35 - 50 years
Infrastructure	30 years
Building and improvements	20 - 40 years
Equipment	5 - 20 years

Property Taxes

Property tax levies are set by the City Council in December of each year and are certified to Stevens County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Property tax levies are based on property values assessed on January 2 of the preceding year. The County spreads all levies over all taxable property. Such taxes become a lien on January 1 of the current year. Property taxes are due from taxpayers in two equal installments, on May 15 and October 15. The county provides tax settlements to cities and other local governments three times a year, in July, December and January.

Revenues are accrued and recognized in the government-wide financial statements in the current period. In the fund financial statements, taxes that remain unpaid at December 31 are classified as delinquent taxes and are fully offset by deferred revenue because it is not known when they will be available to finance current expenditures.

Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of special assessments improvement projects in accordance with state statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Annual installments (including interest) for special assessments are collected by the County in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties to the City.

The City recognizes special assessment revenue in the government-wide financial statements when the assessment rolls are levied. In the fund financial statements, the City recognizes special assessment revenue when it becomes both measurable and available. Current assessments, which remain unpaid at December 31, are classified as delinquent receivables and, together with deferred assessments, are fully offset by deferred revenue because it is not known when they will be available to finance current expenditures.

Compensated Absences

City employees are compensated for unused vacation leave up to a maximum 35 days (280 hours). Upon retirement or termination, employees receive a percentage of accumulated sick leave as severance pay. Compensated absences payable is recorded in the Compensated Absences Internal Service Fund and on the government-wide Statement of Net Position.

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 funds type statement of net position.

Other Postemployment Benefits

Under the provisions of the various employee and union contracts the City provides access to health coverage until age 65 if certain criteria are met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB Statement No. 75, at January 1, 2019.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. 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.

Deferred Inflows of Resources and Deferred Outflows 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 position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. They are in the contributions made to pension plans after the measurement date and prior to the fiscal year-end and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

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 types of items that qualify for reporting in this category. The City reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an outflow of resources in the period that the amounts became available. The other item is changes in the net position liability not included in pension expense reported in the government-wide statement of net position.

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 balance of any long-term debt used to build or acquire the capital 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 include in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance

The following classifications describe the relative strength of the spending constraints:

- **Nonspendable Fund Balance** - amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- **Restricted Fund Balance** - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed Fund Balance** - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest-level action to remove or change the constraint.
- **Assigned Fund Balance** - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- **Unassigned Fund Balance** - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The City will strive to maintain a minimum unrestricted general fund balance of at least 35% of the City's general fund operating budget, excluding the accounts associated within the restricted category of the combined total of the general fund committed, assigned, and unassigned fund balances. The first priority is to utilize the nonspendable fund balance. Restricted funds will be considered second, committed funds third, and assigned funds fourth when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used like assigned or unassigned.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Legal Compliance

Deficit Fund Balance

Deficit fund balance existed in the following funds at December 31, 2021:

Nonmajor governmental funds		
Airport Runway Extension	\$	(174)
Airport Master Plan		(1,583)
CARES Act		(540)
Airport T-Hanger 2006		(58,625)

No formal action is required or anticipated regarding these deficits. These deficits are expected to be eliminated in future years through grant revenues, transfers or contributions from other funds.

Note 3 - Cash and Cash Equivalents

Cash and cash equivalents consist of the following at December 31, 2021:

	Carrying Value
Cash	
Checking and savings	\$ 416,918
Other and cash on hand	1,350
Cash equivalents	
Certificates of Deposit	4,810,182
Minnesota Municipal Money Market Fund	6,284,555
Total	\$ 11,513,005

Deposits and investments are included in the basic financial statements as follows:

Cash and cash equivalents - Governmental funds	\$ 7,336,847
Cash and cash equivalents - Proprietary funds	3,967,671
Restricted cash - Proprietary funds	208,487
	\$ 11,513,005

As of December 31, 2021 the City has the following investment maturities:

Investment Type	Fair Value	Less than 1	1-5
Certificates of Deposit	4,810,182	898,425	3,911,757

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to the City. State statutes require that insurance, surety bonds or collateral protect all city deposits. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% in the case of mortgage notes pledged). As of December 31, 2021, the City's bank balances were covered by insurance or collateral pledged and held in the City's name.

Custodial Credit Risk - Investments

The Minnesota Municipal Money Market Fund is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares. Investment pools are not subject to custodial credit risk categorization, as they are not evidenced by securities. The pool does not have a published credit quality rating.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

Credit Risk

State statutes authorize investments in U.S. treasuries, U.S. agencies, state and municipal bonds, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. The City has no investment policy that would further limit its investment choices. No such investments were held during the year.

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 581,488	\$ -	\$ 65,668	\$ 515,820
Construction in progress	2,709,112	808,957	82,983	3,435,086
Total capital assets, not being depreciated	<u>3,290,600</u>	<u>808,957</u>	<u>148,651</u>	<u>3,950,906</u>
Capital assets, being depreciated				
Buildings	5,139,518	-	-	5,139,518
Improvements other than buildings	3,775,964	351,627	-	4,127,591
Machinery and equipment	8,556,400	346,820	234,139	8,669,081
Infrastructure	16,926,694	-	-	16,926,694
Total capital assets, being depreciated	<u>34,398,576</u>	<u>698,447</u>	<u>234,139</u>	<u>34,862,884</u>
Less accumulated depreciation for				
Buildings	2,765,339	101,538	-	2,866,877
Improvements other than buildings	2,868,739	101,459	-	2,970,198
Machinery and equipment	5,031,152	582,204	215,543	5,397,813
Infrastructure	4,318,730	524,899	-	4,843,629
Total accumulated depreciation	<u>14,983,960</u>	<u>1,310,100</u>	<u>215,543</u>	<u>16,078,517</u>
Total capital assets, being depreciated, net	<u>19,414,616</u>	<u>(611,653)</u>	<u>18,596</u>	<u>18,784,367</u>
Governmental Activities Capital Assets, Net	<u>\$ 22,705,216</u>	<u>\$ 197,304</u>	<u>\$ 167,247</u>	<u>\$ 22,735,273</u>

City of Morris, Minnesota
Notes to Financial Statements
December 31, 2021

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated				
Land	\$ 187,412	\$ -	\$ -	\$ 187,412
Construction in progress	-	303,235	-	303,235
Total capital assets, not being depreciated	<u>187,412</u>	<u>303,235</u>	<u>-</u>	<u>490,647</u>
Capital assets, being depreciated				
Buildings	18,300,509	-	-	18,300,509
Improvements other than buildings	14,505,545	62,021	-	14,567,566
Machinery and equipment	1,156,798	-	-	1,156,798
Total capital assets, being depreciated	<u>33,962,852</u>	<u>62,021</u>	<u>-</u>	<u>34,024,873</u>
Less accumulated depreciation for				
Buildings	654,974	368,848	-	1,023,822
Improvements other than buildings	7,967,698	229,948	-	8,197,646
Machinery and equipment	710,127	47,854	-	757,981
Total accumulated depreciation	<u>9,332,799</u>	<u>646,650</u>	<u>-</u>	<u>9,979,449</u>
Total capital assets, being depreciated, net	<u>24,630,053</u>	<u>(584,629)</u>	<u>-</u>	<u>24,045,424</u>
Business-Type Activities Capital Assets, Net	<u>\$ 24,817,465</u>	<u>\$ (281,394)</u>	<u>\$ -</u>	<u>\$ 24,536,071</u>

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

Governmental Activities		
General government		\$ 20,255
Public safety		83,093
Public works		530,094
Culture and recreation		126,241
Airport		139,531
Transit		42,227
Other		368,659
Total depreciation expense - governmental activities		<u>\$ 1,310,100</u>
Business-Type Activities		
Water		\$ 536,473
Sewer		98,747
Liquor		11,430
Total depreciation expense - business-type activities		<u>\$ 646,650</u>

Note 5 - Interfund Transfers, Receivables, and Payables

Interfund transfers were completed for the following reasons during 2021:

	Other Governmental	Internal Service	Water	Sewer	Liquor	Refuse Collection	Total
Transfer In							
General	\$ -	\$ 3,600	\$ -	\$ -	\$ 72,300	\$ 22,000	\$ 97,900
2017A G.O. Improvement Bonds	11,518	-	-	-	-	-	11,518
Other Governmental	142,082	-	89,865	62,267	10,059	-	304,273
Total	\$ 153,600	\$ 3,600	\$ 89,865	\$ 62,267	\$ 82,359	\$ 22,000	\$ 413,691

Transfers are made for funding various projects and meeting debt service projects.

During the year ended December 31, 2021, interfund advances were made from the general fund to the airport runway extension, airport master plan extensions, and Airport T-Hanger 2006 in order to fund construction project expenditures made prior to receiving grant funds. These advances will be repaid once grants funds are received.

Advances Due from Other Funds		Advances Due to Other Funds	
General	<u>\$ 247,000</u>	Airport Runway Extension	\$ 185,000
		Airport Master Plan	2,000
		Airport T-Hanger 2006	<u>60,000</u>
		Total	<u>\$ 247,000</u>

Note 6 - Long-Term Debt

Changes in Long-Term Debt

Long-term debt activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
G.O. Bonds and Notes	\$ 4,879,000	\$ -	\$ 968,000	\$ 3,911,000	\$ 767,000
G.O. Improvement Bonds	1,860,000	-	120,000	1,740,000	185,000
Other general obligation debt	1,884,113	-	13,568	1,870,545	-
Direct Borrowings, Capital leases	150,895	-	68,645	82,250	64,832
Compensated absences	312,558	269,723	254,155	328,126	109,375
Total governmental activities long-term liabilities	<u>\$ 9,086,566</u>	<u>\$ 269,723</u>	<u>\$ 1,424,368</u>	<u>\$ 7,931,921</u>	<u>\$ 1,126,207</u>
Business-Type Activities					
MN Public Facilities Authority	<u>\$ 5,608,641</u>	<u>\$ -</u>	<u>\$ 187,641</u>	<u>\$ 5,421,000</u>	<u>\$ 189,000</u>

Governmental Activities

General Obligation Bonds

The following general obligation bonds were issued to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the City and are payable through property tax levies through the various debt service funds.

	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Outstanding
G.O. Refunding Bonds of 2013A	\$ 2,860,000	2.0 - 2.5%	05/16/13	02/01/29	\$ 1,245,000
G.O. Refunding Bonds of 2016A	2,875,000	2.0 - 2.3%	11/17/16	02/01/32	1,390,000
G.O. Refunding Bonds of 2020A	1,825,000	1.58%	03/19/20	02/01/29	<u>1,276,000</u>
Total general obligation bonds and notes					<u>\$ 3,911,000</u>

General Obligation Improvement Bonds

The following bonds were issued to finance various improvements and will be repaid primarily through special assessments against properties benefited by improvements, from net revenues of the sewer, water and storm sewer systems which are owned and operated by the City and from property taxes levied and collected through the various debt service funds. The City has a commitment relating to a pledge of full faith and credit on the special assessment bonds. The general credit of the City is obligated only to the extent that liens foreclosed against properties involved in the special assessment districts are insufficient to retire outstanding bonds.

	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Outstanding
Paid from Special Assessments and Tax Revenues					
G.O. Improvement Bonds of 2017A	\$ 2,090,000	3.00%	05/25/17	02/01/33	<u>\$ 1,740,000</u>

Other General Obligation Debt

The following other obligations are reported by the City.

Tax Increment Revenue Notes

Tax increment revenue notes are paid through their respective special revenue funds.

	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Outstanding
Tax Increment Revenue Note of 2016	\$ 525,000	5.00%	11/16/16	2/1/2042	\$ 491,212
Tax Increment Revenue Note of 2018	975,000	5.00%	02/01/18	2/1/2042	971,333
Tax Increment Revenue Note of 2020	408,000	5.00%	08/03/20	2/1/2047	<u>408,000</u>
Total tax increment revenue notes					<u>\$ 1,870,545</u>

Direct Borrowings, Capital Leases

The capital leases in the governmental funds are for the purchase of a wheel loader, LED lighting, stump grinder, and equipment for the fire department. Capital leases are paid through the general fund.

	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Outstanding
US Bank - LED Lighting	\$ 266,913	2.91%	05/15/16	5/15/2023	\$ 58,413
Merchants Bank - Stump Grinder	20,250	5.00%	05/12/17	5/12/2022	3,624
Heartland Motor - Chevy Volt	33,954	0.00%	02/13/19	4/15/2022	20,213
Total capital leases					<u>\$ 82,250</u>

Total cost for the LED lighting is \$266,913 with accumulated depreciation at year-end of \$95,506. Total cost for the wheel loader is \$143,632 with accumulated depreciation at year-end of \$49,074. Total cost of the equipment for the fire department is \$97,689 with accumulated depreciation at year-end of \$50,473. Total cost for the stump grinder is \$20,250, with accumulated depreciation at year-end of \$4,725. Total cost of the Chevy Volt is \$33,954, with accumulated depreciation at year-end of \$9,903.

Business-Type Activities

The following bond was issued to finance improvements to the sewer and water utility system. It will be retired by user charges and is backed by the full faith and credit of the City. Payments are made from the water fund.

	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Outstanding
MN Public Facilities Authority	\$ 5,968,904	1.10%	08/08/17	08/20/43	<u>\$ 5,421,000</u>

The annual service requirements to maturity for all debt outstanding at December 31, 2021, are as follows:

Years Ending December 31,	Governmental Activities		Business-Type Activities		Direct Borrowings, Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 952,000	\$ 189,814	\$ 189,000	\$ 59,794	\$ 64,832	\$ 1,931
2023	926,000	170,811	192,000	57,794	17,418	127
2024	819,000	153,029	194,000	55,591	-	-
2025	683,000	137,657	196,000	53,451	-	-
2026	465,000	125,018	198,000	51,290	-	-
2027 - 2031	1,441,000	492,605	1,022,000	223,236	-	-
2032 - 2036	365,000	152,520	1,082,000	165,549	-	-
2037 - 2041	-	-	1,142,000	104,598	-	-
2042 - 2047	1,870,545	-	1,206,000	40,182	-	-
	<u>\$ 7,521,545</u>	<u>\$ 1,421,454</u>	<u>\$ 5,421,000</u>	<u>\$ 811,485</u>	<u>\$ 82,250</u>	<u>\$ 2,058</u>

Future maturities for tax increment revenue notes are not presented, since payments of principal and interest are made upon the collection of the related tax increments.

Compensated Absences

Vacation and comp time are accrued for as compensated absences in the compensated absences fund. Compensated absences are considered long-term for reporting purposes.

Sick pay is earned and up to 800 hours may be accumulated by City employees. Upon retirement from employment, an employee with thirty (30) or more years of service will receive 60% of his or her accumulated sick leave and a retiring employee with less than thirty (30) years of service will receive 50% of his or her accumulated sick leave. In addition, any employee leaving employment prior to retirement in good standing and has had at least ten (10) years of continuous service and has accumulated at least 500 hours of sick leave will receive accumulated sick leave in the following amounts: 10 years of service receives 30%; 15 years of service receives 35%; 20 years of service receives 40%; 25 years of service receives 45%; 30 years of service receives 50%.

Conduit Debt

From time to time, the City has issued Revenue Bonds and Notes to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2021, there were three revenue bonds outstanding, with an aggregate principal amount payable of approximately \$21,187,897.

Legal Debt Margin

Minnesota statutes limit the net bonded indebtedness of the City to 3% of the estimated market value. The legal debt limit as of December 31, 2021, was \$8,631,021.

Note 7 - Other Post-Employment Benefits

A. Plan Description

All employees are allowed upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the City's health insurance plan after retirement. This plan covers active and retired employees. Benefit provisions are established through negotiations between the City and the union representing City employees and are renegotiated at the end of each contract period. The retiree health plan does not issue a publicly available financial report.

B. Benefits Provided

Eligible participants and their dependents have access to other post-employment benefits of blended medical premiums of \$464 for single coverage and \$1,200 for family coverage. The implicit rate subsidy is only until Medicare eligibility.

C. Employees Covered by Benefit Terms

At the valuation date of December 31, 2019, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	4
Active Employees Electing Coverage	34
Active Employees Waiving Coverage	-
	38
	38

D. Total OPEB Liability

The City's net OPEB liability was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019.

E. Actuarial Assumptions

The total OPEB liability in the December 31, 2019 actuarial valuation was determined as using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2018, and other adjustments.

The actuarial assumptions used in the December 31, 2019, measurements were based on the results of an actuarial experience study as of December 31, 2019.

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the index rate for 20-year, tax-exempt municipal bonds.

F. Changes in the Total OPEB Liability

Balance at January 1, 2021	<u>\$</u>	<u>245,539</u>
Changes from the prior year:		
Service cost		17,666
Interest cost		6,902
Differences between expected and Actual experience		-
Assumption changes		12,724
Benefit payments		<u>(24,431)</u>
Net change		<u>12,861</u>
Balance at December 31, 2021	<u>\$</u>	<u>258,400</u>

G. Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trends Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate one percentage point lower and one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount Rate	1.00%	2.00%	3.00%
Total OPEB Liability	\$ 276,581	\$ 258,400	\$ 241,606

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate one percentage point lower and one percentage point higher than the current healthcare trend rates:

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Total OPEB Liability	\$ 233,388	\$ 258,400	\$ 288,422

H. OPEB Expense

For the year ended December 31, 2021, the City recognized OPEB expense of \$37,292.

Note 8 - Defined Benefit Pension Plans

Qualified employees are covered under cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). Qualified employees are also covered under a single-employer defined benefit pension plan of the Wadena Fire Department Relief Association.

For the year ended December 31, 2021 the City reported its proportionate share of net pension assets, net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense (income) for each of the plans as follows:

	Net Pension Asset	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources	Pension Expense (Income)
PERA - General Employees Fund	\$ -	\$ 772,242	\$ 1,050,529	\$ 977,067	\$ 95,752
PERA - Police and Fire Fund	-	554,469	294,092	876,747	(3,159)
Fire Relief Association	237,431	52,490	-	58,376	(27,348)
Total all plans	<u>\$ 237,431</u>	<u>\$ 1,379,201</u>	<u>\$ 1,344,621</u>	<u>\$ 1,912,190</u>	<u>\$ 65,245</u>

A. Plan Descriptions

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.

1. 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.

2. Public Employees Police and Fire Plan

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

B. Benefits Provided

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

1. 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 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

2. Police and Fire Plan Benefits

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

Benefit increases are provided to benefit recipients each January. Beginning in 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 the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2021, were \$137,468. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2021, were \$79,716. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2021, the City reported a liability of \$1,050,529 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$32,016.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0246 percent at the end of the measurement period and 0.0241 percent for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	\$ 1,050,530
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	32,016
Total	\$ 1,082,546

For the year ended December 31, 2021, the City recognized pension expense of \$95,752 for its proportionate share of the General Employees Plan’s pension expense. In addition, the City recognized an additional \$2,583 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$16 million to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 6,061	\$ 32,074
Changes in Actuarial Assumptions	641,432	22,466
Net Collective Difference Between Projected and Actual Investment Earnings	-	911,432
Changes in Proportion	50,127	11,095
Contributions Paid to PERA Subsequent to the Measurement Date	74,622	-
Total	\$ 772,242	\$ 977,067

The \$74,622 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2022	\$ (34,766)
2023	4,881
2024	(1,413)
2025	(248,150)

2. Police and Fire Fund Pension Costs

At December 31, 2021, the City reported a liability of \$294,092 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0381 percent at the end of the measurement period and 0.0462 percent for the beginning of the period.

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

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2021, the City recognized pension expense of -\$3,159 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$2,413 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$3,429 for the year ended December 31, 2021, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 59,679	\$ -
Changes in Actuarial Assumptions	432,238	202,490
Net Collective Difference Between Projected and Actual Investment Earnings	-	551,065
Changes in Proportion	17,765	123,192
Contributions Paid to PERA Subsequent to the Measurement Date	<u>44,787</u>	<u>-</u>
Total	<u>\$ 554,469</u>	<u>\$ 876,747</u>

The \$44,787 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	<u>Pension Expense Amount</u>
2022	\$ (269,579)
2023	(54,306)
2024	(48,616)
2025	(71,395)
2026	76,831

E. Long-Term Expected Return on Investment

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

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

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

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

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

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

- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund 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.

H. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability (asset) 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:

Sensitivity Analysis				
<i>Net Pension Liability at Different Discount Rates</i>				
	General Employees Fund		Police and Fire Fund	
1% Lower	5.50%	\$ 2,142,545	5.50%	\$ 933,691
Current Discount Rate	6.50%	1,050,529	6.50%	294,092
1% Higher	7.50%	154,465	7.50%	(230,222)

I. Pension Plan Fiduciary Net Position

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

Single Employer Defined Benefit Plan - Volunteer Fire Fighter’s Relief Association

A. Plan Description

The Morris Firefighter's Relief Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the Morris Fire Department per Minnesota State Statutes. The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at City Hall or by calling (320) 589-3141.

B. Benefits Provided

Volunteer firefighters of the City are members of the Morris Fire Fighter's Relief Association. Full retirement benefits are payable to members who have reached age 50 and have completed 20 years of service. Partial benefits are payable to members who have reached age 50 and have completed 10 years of service. Disability benefits and widow and children's survivor benefits are also payable to members or their beneficiaries based upon requirements set forth in the bylaws. These benefit provisions and all other requirements are consistent with enabling state statutes.

C. Members Covered by Benefit Terms

At December 31, 2020, the following members were covered by the benefit terms:

Inactive Members Entitled to But Not Yet Receiving Benefits	2	
Active Members	31	
	33	

D. Contributions

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten-year period. The City's obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers: therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure an on behalf payment of \$46,969 made by the State of Minnesota for the Relief Association.

E. Net Pension Liability

The City's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions: The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Investment Rate of Return	6.75 percent
Mortality	<p>Healthy Pre-retirement: RP-2014 employee generational mortality table projected with mortality improvement scale MP-2019, from a base year of 2006.</p> <p>Healthy Post-retirement: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2019, from a base year of 2006. Male rates are adjusted by a factor of 0.96.</p> <p>Disabled: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2019 from a base year of 2006. Male rates are adjusted by a factor of 0.96.</p>

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.25%). All results are then rounded to the nearest quarter percentage point.

Best-estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of the measurement date are summarized in the following table:

<u>Asset Class</u>	<u>Allocation at Measurement Date</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	51.00%	4.90%
International Equity	31.00%	5.32%
Fixed Income	8.00%	1.40%
Real Estate and Alternatives	1.00%	4.43%
Cash and Equivalents	9.00%	0.09%

Discount rate: The discount rate used to measure the total pension liability was 7.0%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

F. Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at January 1, 2020, Plan Year	\$ 456,016	\$ 666,099	\$ (210,083)
Changes from the Prior Year:			
Service Cost	24,875	-	24,875
Interest Cost	33,662	-	33,662
Assumption Changes	6,041	-	6,041
Contributions - State and Local	-	46,081	(46,081)
Net investment income	-	54,565	(54,565)
Administrative Expense	-	(8,720)	8,720
Net Changes	<u>64,578</u>	<u>91,926</u>	<u>(27,348)</u>
Balances at December 31, 2020, Plan Year	<u>\$ 520,594</u>	<u>\$ 758,025</u>	<u>\$ (237,431)</u>

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount Rate	5.75%	6.75%	7.75%
Net Pension Liability (Asset)	\$ (212,591)	\$ (237,431)	\$ (261,169)

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

G. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2021, the City recognized pension income of \$27,348. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 5,521	\$ -
Net Difference Between Projected and Actual Investment Earnings	-	58,376
Contributions to the Plan Subsequent to the Measurement Date	46,969	-
	\$ 52,490	\$ 58,376

The \$46,969 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended December 31,	Pension Expense Amount
2022	\$ (18,441)
2023	(18,441)
2024	(18,439)
2025	(975)
2026	520
Thereafter	2,921

Note 9 - Public Employees Defined Contribution Plan (Defined Contribution Plan)

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City during fiscal year 2021 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
1,250	1,250	5%	5%	5%

Note 10 - Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City does not act in a trustee capacity for the deferred compensation plan, nor does the City hold any control or ability to direct use or exchange of the assets. Accordingly, the plan is not reported in the City's financial statements.

Note 11 - Fund Balances

The City classified fund balances within the governmental funds as follows at December 31, 2021:

	<u>General</u>	<u>2017A G.O. Improvement Bonds</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balances				
Nonspendable				
Inventories	\$ 12,307	\$ -	\$ -	\$ 12,307
Prepaid items	169,351	-	9,179	178,530
	<u>181,658</u>	<u>-</u>	<u>9,179</u>	<u>190,837</u>
Restricted				
Debt service	-	563,026	1,385,772	1,948,798
Library	-	-	47,316	47,316
Economic development	-	-	317,921	317,921
Stormwater administration	-	-	259,863	259,863
Lodging tax	-	-	217,395	217,395
LCCMR grant	-	-	51,397	51,397
WCI grant	-	-	5,773	5,773
	<u>-</u>	<u>563,026</u>	<u>2,285,437</u>	<u>2,848,463</u>
Committed				
Capital improvements	2,528,913	-	-	2,528,913
Working capital	1,543,452	-	-	1,543,452
	<u>4,072,365</u>	<u>-</u>	<u>-</u>	<u>4,072,365</u>
Unassigned	<u>394,890</u>	<u>-</u>	<u>(60,922)</u>	<u>333,968</u>
Total fund balances	<u>\$ 4,648,913</u>	<u>\$ 563,026</u>	<u>\$ 2,233,694</u>	<u>\$ 7,445,633</u>

Note 12 - Risk Management

The City maintains its general property, automobile, workmen’s compensation and liability coverage through the League of Minnesota Cities Insurance Trust. The insurance coverage of this trust is considered to be adequate to cover unexpected claims against the City. The City retains the responsibility to cover any settlements exceeding the specific coverage. There was no reduction in coverage from the prior year and settlements have not exceeded insurance coverage in the past three years.

Note 13 - Litigation

The City generally follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or determinable in amount. Management does not anticipate any significant losses that would not be covered by insurance.

Note 14 - Construction Commitments

As of December 31, 2021, the City has completed to date approximately \$3,435,086 of construction costs and has approximately \$12,678 in construction commitment on the airport runway extension project. The expected project completion date is September 2022. As of December 31, 2021, the City has completed approximately \$303,235 of construction costs and has approximately \$13,104 in construction commitments related to the water line extension project. The expected project completion date is June 2022.

Note 15 - Tax Abatements

The Council provides tax abatements through one program, Property Tax Abatement Property and the installation of related Site Improvements.

The following is information relevant to the disclosure of this program for the fiscal year ended December 31, 2021:

Tax Abatement Program	<u>\$ 19,793</u>
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Required Supplementary Information
December 31, 2021

City of Morris, Minnesota

City of Morris, Minnesota
 Schedule of Changes in the City's Total OPEB Liability and Related Ratios
 December 31, 2021

Schedule of Changes in the City's Total OPEB Liability and Related Ratios, Last 10 Fiscal years *

	2021	2020	2019	2018
Service Cost	\$ 17,666	\$ 9,414	\$ 14,081	\$ 12,116
Interest	6,902	6,455	7,096	7,789
Differences Between Expected and Actual Experience	-	52,332	-	-
Changes of Assumptions	12,724	19,479	(40,227)	6,961
Benefit Payments	(24,431)	(13,432)	(19,896)	(17,878)
Net Change in Total OPEB Liability	12,861	74,248	(38,946)	8,988
Total OPEB Liability - Beginning	245,539	171,291	210,237	201,249
Total OPEB Liability - Ending	<u>\$ 258,400</u>	<u>\$ 245,539</u>	<u>\$ 171,291</u>	<u>\$ 210,237</u>
Covered Payroll	\$ 2,107,130	\$ 2,014,021	\$ 1,928,861	\$ 1,738,164
Total OPEB Liability as a Percentage of Covered Payroll	12.26%	12.19%	8.88%	12.10%

*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Notes to the Schedule of Changes in the City's Total OPEB Liability and Related Ratios

- No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

**Schedule of Employer's Proportionate Share of Net Pension Liability
Last 10 Fiscal Years ***

Pension Plan	Measurement Date	Employer's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (c) (a+b)	Employer's Covered Payroll (d)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/d)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
General Employees	6/30/2021	0.0246%	\$ 1,050,530	\$ 32,016	\$ 1,082,546	\$ 1,663,293	63.2%	97.9%
General Employees	6/30/2020	0.0241%	1,444,905	44,658	1,489,563	1,614,400	89.5%	79.1%
General Employees	6/30/2019	0.0231%	1,277,147	39,665	1,316,812	1,506,987	84.7%	80.2%
General Employees	6/30/2018	0.0239%	1,325,874	43,343	1,369,217	1,505,417	88.1%	79.5%
General Employees	6/30/2017	0.0241%	1,538,528	19,313	1,557,841	1,483,833	103.7%	75.9%
General Employees	6/30/2016	0.0255%	2,070,474	27,007	2,097,481	1,472,296	140.6%	68.9%
General Employees	6/30/2015	0.0257%	1,331,907	N/A	1,331,907	1,426,159	93.4%	78.2%
Police and Fire	6/30/2021	0.0381%	294,092	13,250	307,342	417,650	70.4%	93.7%
Police and Fire	6/30/2020	0.0462%	608,965	14,350	623,315	494,100	123.2%	87.2%
Police and Fire	6/30/2019	0.0437%	465,231	N/A	465,231	441,991	105.3%	89.3%
Police and Fire	6/30/2018	0.0455%	484,981	N/A	484,981	444,379	109.1%	88.8%
Police and Fire	6/30/2017	0.0480%	647,903	N/A	647,903	453,262	142.9%	85.4%
Police and Fire	6/30/2016	0.0500%	2,006,587	N/A	2,006,587	440,611	455.4%	63.9%
Police and Fire	6/30/2015	0.0540%	613,566	N/A	613,566	456,341	134.5%	86.6%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend in compiled, the City will present information for those years for which information is available.

**Schedule of Employer's Contributions
Last 10 Fiscal Years ***

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
General Employees	12/31/2021	\$ 137,468	\$ 137,468	\$ -	\$ 1,832,907	7.5%
General Employees	12/31/2020	135,754	135,754	-	1,810,053	7.5%
General Employees	12/31/2019	125,196	125,196	-	1,669,280	7.5%
General Employees	12/31/2018	123,266	123,266	-	1,643,542	7.5%
General Employees	12/31/2017	116,244	116,244	-	1,549,920	7.5%
General Employees	12/31/2016	118,272	118,272	-	1,576,960	7.5%
General Employees	12/31/2015	117,553	117,553	-	1,567,373	7.5%
Police and Fire	12/31/2021	79,716	\$ 79,716	-	450,373	17.7%
Police and Fire	12/31/2020	85,724	85,724	-	484,316	17.7%
Police and Fire	12/31/2019	84,963	84,963	-	501,257	17.0%
Police and Fire	12/31/2018	77,764	77,764	-	480,022	16.2%
Police and Fire	12/31/2017	78,823	78,823	-	486,562	16.2%
Police and Fire	12/31/2016	76,344	76,344	-	502,888	15.2%
Police and Fire	12/31/2015	81,974	81,974	-	528,313	15.5%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions**General Employees Fund****2021 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 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

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

- The morality 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.

2017 Changes

Changes in Actuarial Assumptions

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

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 Morris, Minnesota
Schedule of Changes in Net Pension Liability - Fire Relief Association
December 31, 2021

**Schedule of Changes in Net Pension Liability
Last 10 Fiscal Years ***

	2021	2020
Total Pension Liability		
Service Cost	\$ 24,875	\$ 24,328
Interest	33,662	29,833
Changes of assumption	6,041	-
Net change in total pension liability	64,578	54,161
Beginning of year	456,016	401,855
End of year	\$ 520,594	\$ 456,016
Plan Fiduciary Net Position		
Contributions - state and local	\$ 46,081	\$ 44,355
Net investment income	54,565	122,846
Administrative expense	(8,720)	(6,090)
Net change in plan fiduciary net position	91,926	161,111
Beginning of year	666,099	504,988
End of year	\$ 758,025	\$ 666,099
Net Pension Liability (Asset)	\$ (237,431)	\$ (210,083)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	145.61%	146.07%
Covered Payroll	N/A	N/A
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**Schedule of Employer Contributions and Non-Employer Contributing Entities
 Last 10 Fiscal Years ***

	2021	2020
Employer		
Statutorily determined Contribution (SDC)	\$ -	\$ -
Contributions made	-	-
Contribution deficiency (excess)	\$ -	\$ -
Non-Employer		
2% aid	\$ 46,081	\$ 44,355

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.



Other Supplementary Information
December 31, 2021

City of Morris, Minnesota

City of Morris, Minnesota
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2021

	Special Revenue Funds						
	Library	Airport Master Plan	Denco MPCA & Deed Grant	EDA Tax Increment District #4	EDA Tax Increment District #8	EDA Tax Increment District #15	EDA Tax Increment District #16
Assets							
Cash and cash equivalents	\$ 55,538	\$ 417	\$ -	\$ 26,363	\$ 46,495	\$ 233,024	\$ 12,039
Receivables							
Accounts	-	-	-	-	-	-	-
Delinquent property taxes	1,526	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Prepaid items	6,727	-	-	-	-	-	-
Total assets	<u>\$ 63,791</u>	<u>\$ 417</u>	<u>\$ -</u>	<u>\$ 26,363</u>	<u>\$ 46,495</u>	<u>\$ 233,024</u>	<u>\$ 12,039</u>
Liabilities							
Accounts payable	\$ 4,607	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued salaries and wages	3,606	-	-	-	-	-	-
Due to other governmental units	9	-	-	-	-	-	-
Advances due to other funds	-	2,000	-	-	-	-	-
Total liabilities	<u>8,222</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources							
Unavailable revenue-property taxes	1,526	-	-	-	-	-	-
Unavailable revenue-special assessments	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>1,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances							
Nonspendable	6,727	-	-	-	-	-	-
Restricted	47,316	-	-	26,363	46,495	233,024	12,039
Unassigned	-	(1,583)	-	-	-	-	-
Total fund balances	<u>54,043</u>	<u>(1,583)</u>	<u>-</u>	<u>26,363</u>	<u>46,495</u>	<u>233,024</u>	<u>12,039</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 63,791</u>	<u>\$ 417</u>	<u>\$ -</u>	<u>\$ 26,363</u>	<u>\$ 46,495</u>	<u>\$ 233,024</u>	<u>\$ 12,039</u>

City of Morris, Minnesota
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2021

	Special Revenue Funds						Total Special Revenue Funds
	Stormwater Admin	Lodging Tax	LCCMR Grant	WCI Grant	CARES Act	Airport Runway Extension	
Assets							
Cash and cash equivalents	\$ 255,494	\$ 201,116	\$ 51,397	\$ 5,773	\$ 2,106	\$ 13,788	\$ 903,550
Receivables							
Accounts	5,279	17,379	-	-	-	-	22,658
Delinquent property taxes	-	-	-	-	-	-	1,526
Special assessments	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	10,458	190,364	200,822
Prepaid items	2,452	-	-	-	-	-	9,179
	<u>2,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,179</u>
Total assets	<u>\$ 263,225</u>	<u>\$ 218,495</u>	<u>\$ 51,397</u>	<u>\$ 5,773</u>	<u>\$ 12,564</u>	<u>\$ 204,152</u>	<u>\$ 1,137,735</u>
Liabilities							
Accounts payable	\$ 410	\$ 1,100	\$ -	\$ -	13,104	19,326	\$ 38,547
Accrued salaries and wages	500	-	-	-	-	-	4,106
Due to other governmental units	-	-	-	-	-	-	9
Advances due to other funds	-	-	-	-	-	185,000	187,000
	<u>910</u>	<u>1,100</u>	<u>-</u>	<u>-</u>	<u>13,104</u>	<u>204,326</u>	<u>229,662</u>
Total liabilities	<u>910</u>	<u>1,100</u>	<u>-</u>	<u>-</u>	<u>13,104</u>	<u>204,326</u>	<u>229,662</u>
Deferred Inflows of Resources							
Unavailable revenue-property taxes	-	-	-	-	-	-	1,526
Unavailable revenue-special assessments	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,526</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,526</u>
Fund Balances							
Nonspendable	2,452	-	-	-	-	-	9,179
Restricted	259,863	217,395	51,397	5,773	-	-	899,665
Unassigned	-	-	-	-	(540)	(174)	(2,297)
	<u>262,315</u>	<u>217,395</u>	<u>51,397</u>	<u>5,773</u>	<u>(540)</u>	<u>(174)</u>	<u>906,547</u>
Total fund balances	<u>262,315</u>	<u>217,395</u>	<u>51,397</u>	<u>5,773</u>	<u>(540)</u>	<u>(174)</u>	<u>906,547</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 263,225</u>	<u>\$ 218,495</u>	<u>\$ 51,397</u>	<u>\$ 5,773</u>	<u>\$ 12,564</u>	<u>\$ 204,152</u>	<u>\$ 1,137,735</u>

City of Morris, Minnesota
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2021

	Debt Service Funds			Total Debt Service Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
	2013A G.O. Improvement Bonds	2016A G.O. Improvement Bonds	2020A G.O. Refunding Bonds		Airport T-Hanger 2006	
Assets						
Cash and cash equivalents	\$ 318,286	\$ 882,200	\$ 187,788	\$ 1,388,274	\$ 1,375	\$ 2,293,199
Receivables						
Accounts	-	-	-	-	-	22,658
Delinquent property taxes	1,798	6,110	7,238	15,146	-	16,672
Special assessments	371,959	229,103	154,688	755,750	-	755,750
Intergovernmental	-	-	-	-	-	200,822
Prepaid items	-	-	-	-	-	9,179
Total assets	\$ 692,043	\$ 1,117,413	\$ 349,714	\$ 2,159,170	\$ 1,375	\$ 3,298,280
Liabilities						
Accounts payable	\$ -	\$ 2,500	\$ -	\$ 2,500	\$ -	\$ 41,047
Accrued salaries and wages	-	-	-	-	-	4,106
Due to other governmental units	-	-	-	-	-	9
Advances due to other funds	-	-	-	-	60,000	247,000
Total liabilities	-	2,500	-	2,500	60,000	292,162
Deferred Inflows of Resources						
Unavailable revenue-property taxes	1,798	6,110	7,238	15,146	-	16,672
Unavailable revenue-special assessments	371,959	229,104	154,689	755,752	-	755,752
Total deferred inflows of resources	373,757	235,214	161,927	770,898	-	772,424
Fund Balances						
Nonspendable	-	-	-	-	-	9,179
Restricted	318,286	879,699	187,787	1,385,772	-	2,285,437
Unassigned	-	-	-	-	(58,625)	(60,922)
Total fund balances	318,286	879,699	187,787	1,385,772	(58,625)	2,233,694
Total liabilities, deferred inflows of resources, and fund balances	\$ 692,043	\$ 1,117,413	\$ 349,714	\$ 2,159,170	\$ 1,375	\$ 3,298,280

City of Morris, Minnesota
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2021

Special Revenue Funds							
	Library	Airport Master Plan	Denco MPCA & Deed Grant	EDA Tax Increment District #4	EDA Tax Increment District #8	EDA Tax Increment District #15	EDA Tax Increment District #16
Revenues							
Property taxes	\$ 54,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	-	17,724	64,880	105,525	10,238
Special assessments	-	-	-	-	-	-	-
Intergovernmental revenue	259,700	-	85,969	-	-	-	-
Charges for service	862	-	-	-	-	-	-
Lodging tax	-	-	-	-	-	-	-
Contributions and donations	18,801	-	-	-	-	-	-
Interest earnings	-	83	-	182	262	1,574	70
Miscellaneous revenues	365	-	-	-	-	-	-
Total revenues	333,875	83	85,969	17,906	65,142	107,099	10,308
Expenditures							
Current							
Culture and recreation	309,923	-	-	-	-	-	-
Other	-	-	85,969	-	-	-	-
Capital outlay	41,399	-	-	-	-	-	-
Debt service							
Principal	-	-	-	-	-	13,568	-
Interest and fees	-	-	-	-	-	73,668	8,030
Total expenditures	351,322	-	85,969	-	-	87,236	8,030
Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,447)	83	-	17,906	65,142	19,863	2,278
Other Financing Sources (Uses)							
Transfers from other funds	10,059	-	-	-	-	76,800	-
Transfers to other funds	-	-	-	(14,000)	(62,800)	(76,800)	-
Total other financing sources (uses)	10,059	-	-	(14,000)	(62,800)	-	-
Net Change in Fund Balances	(7,388)	83	-	3,906	2,342	19,863	2,278
Fund Balance (Deficit) - Beginning	61,431	(1,666)	-	22,457	44,153	213,161	9,761
Fund Balance (Deficit) - Ending	\$ 54,043	\$ (1,583)	\$ -	\$ 26,363	\$ 46,495	\$ 233,024	\$ 12,039

City of Morris, Minnesota
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2021

	Special Revenue Funds						Total Special Revenue Funds
	Stormwater Admin	Lodging Tax	LCCMR Grant	WCI Grant	CARES Act Grant	Airport Runway Extension	
Revenues							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,147
Tax increments	-	-	-	-	-	-	198,367
Special assessments	-	-	-	-	-	-	-
Intergovernmental revenue	-	-	44,077	-	291,401	558,413	1,239,560
Charges for service	61,349	-	-	-	-	-	62,211
Lodging tax	-	55,504	-	-	10,458	-	65,962
Contributions and donations	-	-	-	-	-	-	18,801
Interest earnings	2,019	1,620	277	49	836	2,519	9,491
Miscellaneous revenues	-	-	-	-	-	-	365
Total revenues	63,368	57,124	44,354	49	302,695	560,932	1,648,904
Expenditures							
Current							
Culture and recreation	-	-	-	-	-	-	309,923
Other	59,039	41,963	43,424	1,175	41,153	-	272,723
Capital outlay	-	-	-	-	262,082	558,412	861,893
Debt service							
Principal	-	-	-	-	-	-	13,568
Interest and fees	-	-	-	-	-	-	81,698
Total expenditures	59,039	41,963	43,424	1,175	303,235	558,412	1,539,805
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,329	15,161	930	(1,126)	(540)	2,520	109,099
Other Financing Sources (Uses)							
Transfers from other funds	-	-	-	-	-	-	86,859
Transfers to other funds	-	-	-	-	-	-	(153,600)
Total other financing sources (uses)	-	-	-	-	-	-	(66,741)
Net Change in Fund Balances	4,329	15,161	930	(1,126)	(540)	2,520	42,358
Fund Balance (Deficit) - Beginning	257,986	202,234	50,467	6,899	-	(2,694)	864,189
Fund Balance (Deficit) - Ending	\$ 262,315	\$ 217,395	\$ 51,397	\$ 5,773	\$ (540)	\$ (174)	\$ 906,547

City of Morris, Minnesota
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2021

	Debt Service Funds			Total Debt Service Funds	Projects Fund	Total Nonmajor Governmental Funds
	2013A G.O. Refunding Bonds	2016A G.O. Improvement Bonds	2020A G.O. Refunding Bonds		Airport T-Hanger 2006	
Revenues						
Property taxes	\$ 50,778	\$ 214,658	\$ 238,058	\$ 503,494	\$ -	\$ 557,641
Tax increments	-	-	-	-	-	198,367
Special assessments	53,638	93,519	62,462	209,619	-	209,619
Intergovernmental revenue	-	-	-	-	-	1,239,560
Charges for service	-	-	-	-	-	62,211
Lodging tax	-	-	-	-	-	65,962
Contributions and donations	-	-	-	-	-	18,801
Interest earnings	1,927	5,660	1,160	8,747	-	18,238
Miscellaneous revenues	-	-	-	-	-	365
Total revenues	106,343	313,837	301,680	721,860	-	2,370,764
Expenditures						
Current						
Culture and recreation	-	-	-	-	-	309,923
Other	-	-	-	-	-	272,723
Capital outlay	-	-	-	-	58,625	920,518
Debt service						
Principal	235,000	385,000	348,000	968,000	-	981,568
Interest and fees	29,950	36,019	24,079	90,048	-	171,746
Total expenditures	264,950	421,019	372,079	1,058,048	58,625	2,656,478
Excess (Deficiency) of Revenues Over (Under) Expenditures	(158,607)	(107,182)	(70,399)	(336,188)	(58,625)	(285,714)
Other Financing Sources (Uses)						
Transfers from other funds	106,915	87,850	22,649	217,414	-	304,273
Transfers to other funds	-	-	-	-	-	(153,600)
Total other financing sources (uses)	106,915	87,850	22,649	217,414	-	150,673
Net Change in Fund Balances	(51,692)	(19,332)	(47,750)	(118,774)	(58,625)	(135,041)
Fund Balance (Deficit) - Beginning	369,978	899,031	235,537	1,504,546	-	2,368,735
Fund Balance (Deficit) - Ending	\$ 318,286	\$ 879,699	\$ 187,787	\$ 1,385,772	\$ (58,625)	\$ 2,233,694

City of Morris, Minnesota
Combining Schedule of Net Position -
Internal Service Funds
December 31, 2021

	Central Garage Fund	Compensated Absences Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 7,528	\$ 365,937	\$ 373,465
Prepaid items	2,286	-	2,286
Total Current Assets	<u>9,814</u>	<u>365,937</u>	<u>375,751</u>
Capital Assets			
Improvements other than buildings	22,853	-	22,853
Machinery and equipment	95,773	-	95,773
Less accumulated depreciation	(31,130)	-	(31,130)
Net Capital Assets	<u>87,496</u>	<u>-</u>	<u>87,496</u>
Total Assets	<u>97,310</u>	<u>365,937</u>	<u>463,247</u>
Deferred Outflows of Resources			
Pension plan	28,496	-	28,496
Liabilities			
Current Liabilities			
Accounts payable	5,368	-	5,368
Salaries and wages payable	1,091	-	1,091
Compensated absences payable	-	109,375	109,375
Total current liabilities	<u>6,459</u>	<u>109,375</u>	<u>115,834</u>
Long-term Liabilities			
Compensated absences payable	-	218,751	218,751
Net pension liability	38,765	-	38,765
Total long-term liabilities	<u>38,765</u>	<u>218,751</u>	<u>257,516</u>
Total Liabilities	<u>45,224</u>	<u>328,126</u>	<u>373,350</u>
Deferred Inflows of Resources			
Pension plans	36,054	-	36,054
Net Position (Deficit)			
Investment in capital assets	87,496	-	87,496
Unrestricted	(42,968)	37,811	(5,157)
Total Net Position	<u>\$ 44,528</u>	<u>\$ 37,811</u>	<u>\$ 82,339</u>

City of Morris, Minnesota
Combining Schedule of Revenues, Expenses and Changes in Net Position -
Internal Service Funds
Year Ended December 31, 2021

	Central Garage Fund	Compensated Absences Fund	Total
Operating Revenues			
Charges for service	\$ 178,957	\$ 38,906	\$ 217,863
Cost of sales	(57,831)	-	(57,831)
Total operating revenues	<u>121,126</u>	<u>38,906</u>	<u>160,032</u>
Operating Expenses			
Other services and charges	94,368	35,927	130,295
Depreciation	6,599	-	6,599
Total operating expenses	<u>100,967</u>	<u>35,927</u>	<u>136,894</u>
Operating Income (Loss)	20,159	2,979	23,138
Nonoperating Revenue			
Interest income	-	2,770	2,770
Net income (loss) before transfer in	20,159	5,749	25,908
Other Financing Uses			
Transfer out	(3,600)	-	(3,600)
Change in Net Position	16,559	5,749	22,308
Net Position - Beginning	<u>27,969</u>	<u>32,062</u>	<u>60,031</u>
Net Position - Ending	<u>\$ 44,528</u>	<u>\$ 37,811</u>	<u>\$ 82,339</u>

City of Morris, Minnesota
Combining Schedule of Cash Flows -
Internal Service Funds
Year Ended December 31, 2021

	Central Garage Fund	Compensated Absences Fund	Total
Operating Activities			
Receipts from interfund services provided	\$ 178,957	\$ 38,906	\$ 217,863
Payments to vendors	(64,250)	-	(64,250)
Payments to employees	(94,128)	(20,359)	(114,487)
Net Cash from (used for) Operating Activities	<u>20,579</u>	<u>18,547</u>	<u>39,126</u>
Noncapital Financing Activity			
Interfund borrowing	(9,451)	-	(9,451)
Transfers	(3,600)	-	(3,600)
Net Cash from (used for) Noncapital Financing Activities	<u>(13,051)</u>	<u>-</u>	<u>(13,051)</u>
Investing Activity			
Interest earnings	-	2,770	2,770
Net Change in Cash and Cash Equivalents	7,528	21,317	28,845
Cash and Cash Equivalents, Beginning of Year	-	344,620	344,620
Cash and Cash Equivalents, End of Year	<u>\$ 7,528</u>	<u>\$ 365,937</u>	<u>\$ 373,465</u>
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities			
Operating Income (Loss)	\$ 20,158	\$ 2,979	\$ 23,137
Adjustments to reconcile operating income (loss) from net cash from (used for) operating activities			
Depreciation	6,599	-	6,599
Changes in assets and liabilities			
Prepaid items	(103)	-	(103)
Net pension liability and related deferred inflows and outflows of resources	(5,128)	-	(5,128)
Accounts payable	(1,187)	-	(1,187)
Accrued wages payable	240	-	240
Accrued compensated absences	-	15,568	15,568
Net Cash from (used for) Operating Activities	<u>\$ 20,579</u>	<u>\$ 18,547</u>	<u>\$ 39,126</u>

City of Morris, Minnesota
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/ Federal CFDA Number	Pass Through Number	Expenditures
<u>Department of Defense</u>			
Passed through Minnesota Military Affairs National Guard Military Operations and Maintenance Projects	12.401	Unknown	\$ 439
<u>Department of Justice</u>			
Passed through the Minnesota Department of Justice Bulletproof Vest Partnership Program	16.607	1121-0235	1,727
<u>Department of Transportation</u>			
Passed through the Minnesota Department of Transportation Airport Improvement Program	20.106	A7501-35	\$ 37,023
Airport Improvement Program	20.106	A7501-36	<u>521,390</u>
Total Airport Improvement Program			\$ 558,413
Toward Zero Deaths Enforcement	20.608	Unknown	335
COVID-19 - Highway Planning and Construction Cluster	20.205	Unknown	<u>11,125</u>
Total Department of Transportation			569,873
<u>Department of Housing and Urban Development</u>			
Passed through Stevens County HRA Deed Grant	14.228	Unknown	85,969
<u>Department of Treasury</u>			
Passed through the State of Minnesota COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	<u>303,235</u>
Total Federal Financial Assistance			<u>\$ 961,243</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City under programs of the federal government for the year ended December 31, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the City.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The City does not draw for indirect administrative expenses and has not elected to use the 10% de minimis cost rate.



Other Reports
December 31, 2021

City of Morris, Minnesota



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and City Council
City of Morris, 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 City of Morris as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated April 22, 2022.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’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 and questioned costs as item 2021-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Fargo, North Dakota
April 22, 2022



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Honorable Mayor, City Council and Clerk-Treasurer
City of Morris, Minnesota

Report on Compliance for each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Morris's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2021. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Morris complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

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

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

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

Eide Sully LLP

Fargo, North Dakota
April 22, 2022



Report on *Minnesota Legal Compliance*

To the Honorable Mayor, City Council and Clerk-Treasurer
City of Morris, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards 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 Morris, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 22, 2022.

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

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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota
April 22, 2022

Section I - Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of Auditor's Report Issued	Unmodified
Internal Control over Financial Reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance Material to Financial Statements Noted?	No

FEDERAL AWARDS

Internal Control over Major Programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of Auditor's Report Issued on Compliance for Major Programs	Unmodified
Any Audit Findings Disclosed That Are Required to be Reported in Accordance with Uniform Guidance 2 CFR 200.516	No

Identification of Major Programs

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing/CFDA Number</u>
Airport Improvement Program	20.106
Dollar Threshold used to Distinguish Between Type A and Type B Programs	\$750,000
Auditee Qualified as Low-Risk Auditee?	Yes

Section II - Financial Statement Findings

**2021-001 Preparation of Financial Statements Including Proposed Journal Entries
Significant Deficiency**

Condition - The City does not have an internal control system designed to provide for the preparation of the financial statements being audited in addition to proposing certain journal entries. The auditors were requested to, and did, draft the financial statements and accompanying notes to the financial statements.

Criteria - A good system of internal accounting control contemplates an adequate system for internally preparing their financial statements and journal entries.

Effect - The information in the financial statements could be inaccurate/incomplete.

Cause - City personnel do not attend the necessary training to stay informed of accounting principles generally accepted in the United States of America.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials - Management agrees with the finding.

Section III - Federal Award Findings and Questioned Costs

None reported

Section IV - Minnesota Legal Compliance Findings

None reported