

**CITY OF BUFFALO, MINNESOTA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2019**





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## **INTRODUCTORY SECTION**



**CITY OF BUFFALO, MINNESOTA  
OFFICIAL DIRECTORY  
DECEMBER 31, 2019**

**Elected Officials**

|                |                  | <b><u>Term Expires</u></b> |
|----------------|------------------|----------------------------|
| Mayor          | Teri Lachermeier | December 31, 2020          |
| Council Member | Eric Anderson    | December 31, 2022          |
| Council Member | Scott Enter      | December 31, 2022          |
| Council Member | Steve Downer     | December 31, 2020          |
| Council Member | Linda Kittock    | December 31, 2020          |

**Appointed Officials**

|                                   |              |
|-----------------------------------|--------------|
| Administrator and Clerk-Treasurer | Merton Auger |
|-----------------------------------|--------------|



## **FINANCIAL SECTION**





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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and  
Members of the City Council  
City of Buffalo  
Buffalo, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Buffalo (the City), Minnesota as of and for the year ended December 31, 2019, and the related notes of the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Honorable Mayor and  
Members of the City Council  
City of Buffalo, Minnesota

### ***Opinions***

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

### ***Emphasis of a Matter Regarding Correction of an Error***

As described in Note 18 to the financial statements, beginning net position of the Electric Fund and Business-Type Activities was restated by \$309,370 to properly state net position for intangible assets that were improperly depreciated in prior years. Our auditors' opinion was not modified with respect to the restatement.

### ***Other Matters***

#### ***Report on Summarized Comparative Information***

We have previously audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of as and for the year ended December 31, 2018, and we have expressed unmodified audit opinions on those audited financial statements in our report dated May 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### ***Required Supplementary Information***

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

Honorable Mayor and  
Members of the City Council  
City of Buffalo, Minnesota

***Other Matters (Continued)***

***Other 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 and individual nonmajor fund financial statements, computation of legal debt margin, tax levies to retire bonded indebtedness, and property valuations, levies and collections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to, the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The computation of legal debt margin, tax levies to retire bonded indebtedness, and property valuations, levies, and collections schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2020, on our consideration of the City of Buffalo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Buffalo'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 of Buffalo's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Buffalo, Minnesota  
May 13, 2020

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## **REQUIRED SUPPLEMENTARY INFORMATION**



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

As management of the City of Buffalo (the City), Minnesota, we offer readers of the City of Buffalo's financial statements this narrative overview and analysis of the financial activities of the City of Buffalo for the fiscal year ended December 31, 2019.

## **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$54,017,344 (net position). The unrestricted portion of net position, the portion used to meet the City's ongoing obligations to citizens and creditors, is \$4,751,911.
- The City's total net position increased by \$4,638,942 from 2018.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$14,451,190, an increase of \$5,103,482 in comparison with the prior year. The overall *unassigned fund balance* is a deficit \$1,297,616.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,762,173, or 30% of total 2019 general fund expenditures.
- The City's total bonded debt decreased by \$2,699,442 or 2.8% during the current fiscal period.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-Wide Financial Statements**

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

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

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

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Government-Wide Financial Statements (Continued)**

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, sanitation, culture and recreation, and community development. The business-type activities of the City include water and sewer utilities, electric utility, liquor stores, and a municipal golf course (Wild Marsh).

The government-wide financial statements can be found on pages 18-20 of this report.

**Fund Financial Statements**

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

***Governmental Funds***

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a city's near-term financing requirements.

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

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

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Fund Financial Statements (Continued)**

***Governmental Funds (Continued)***

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Capital Project Fund, and HRA Debt Service Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 21-26 of this report.

***Proprietary Funds***

The City maintains five proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer utilities, electric utilities, liquor store operations, and golf course operations.

The proprietary fund statements provide the same type of information as business-type activities in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund, the electric fund, liquor fund, and golf course fund which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 27-36 of this report.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 37-80 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information (RSI)* demonstrating the City's compliance with its adopted budget for the General Fund and information regarding defined benefit pension plans that the City participates in. The RSI and related notes can be found on pages 81-93 of this report.

The combining statements referred to earlier in conjunction with nonmajor governmental funds are presented immediately following the required supplementary information on the General Fund budgetary comparison. Combining and individual fund statements can be found on pages 94-101.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a city's financial position. In the case of the City, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows by \$54,017,344 at the close of the most recent fiscal year compared to \$49,069,032 at the end of 2018.

By far, the largest portion of the City's net position (84%) reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF BUFFALO'S NET POSITION**

|                                      | Governmental Activities |                      | Business-Type Activities |                      | Total                |                      |
|--------------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|                                      | 2019                    | 2018                 | 2019                     | 2018                 | 2019                 | 2018                 |
| <b>ASSETS</b>                        |                         |                      |                          |                      |                      |                      |
| Current and Other Assets             | \$ 17,625,600           | \$ 14,846,668        | \$ 9,524,629             | \$ 9,041,512         | \$ 27,150,229        | \$ 23,888,180        |
| Capital Assets                       | 49,905,398              | 49,171,226           | 85,082,771               | 84,229,312           | 134,988,169          | 133,400,538          |
| Total Assets                         | 67,530,998              | 64,017,894           | 94,607,400               | 93,270,824           | 162,138,398          | 157,288,718          |
| <b>DEFERRED OUTFLOW OF RESOURCES</b> |                         |                      |                          |                      |                      |                      |
|                                      | 1,727,866               | 2,309,945            | 431,643                  | 642,297              | 2,159,509            | 2,952,242            |
| <b>LIABILITIES</b>                   |                         |                      |                          |                      |                      |                      |
| Noncurrent Liabilities Outstanding   | 25,493,060              | 23,170,981           | 64,763,232               | 69,412,394           | 90,256,292           | 92,583,375           |
| Other Liabilities                    | 7,570,591               | 7,219,122            | 9,877,052                | 8,045,882            | 17,447,643           | 15,265,004           |
| Total Liabilities                    | 33,063,651              | 30,390,103           | 74,640,284               | 77,458,276           | 107,703,935          | 107,848,379          |
| <b>DEFERRED INFLOW OF RESOURCES</b>  |                         |                      |                          |                      |                      |                      |
|                                      | 2,121,332               | 2,771,291            | 455,296                  | 552,258              | 2,576,628            | 3,323,549            |
| <b>NET POSITION</b>                  |                         |                      |                          |                      |                      |                      |
| Net Investment in Capital Assets     | 26,852,763              | 30,006,342           | 18,443,346               | 13,849,617           | 45,296,109           | 43,855,959           |
| Restricted                           | 3,969,324               | 7,156,148            | -                        | -                    | 3,969,324            | 7,156,148            |
| Unrestricted                         | 3,251,794               | (3,996,045)          | 1,500,117                | 2,052,970            | 4,751,911            | (1,943,075)          |
| Total Net Position                   | <u>\$ 34,073,881</u>    | <u>\$ 33,166,445</u> | <u>\$ 19,943,463</u>     | <u>\$ 15,902,587</u> | <u>\$ 54,017,344</u> | <u>\$ 49,069,032</u> |

The remaining balance of the City's net position are *restricted net position* (7%) that can be used only for debt service or other purposes. The City reports a deficit for *unrestricted net position* that may be used to meet the City's ongoing obligations to citizens and creditors.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Governmental Activities**

Governmental activities increased the City's net position by \$907,436. The most significant change in governmental net position is due to an increase in property taxes.

**Business-Type Activities**

Business-type activities increased the City's net position by \$3,731,506. The most significant change in business-type net position is due to an increase in access fee revenues of \$1,980,000.

**City of Buffalo's Changes in Net Position**

Condensed statements of revenues, expenses, and changes in net position highlights are as follows for the year ended December 31, 2019:

|   | Governmental Activities |                      | Business-Type Activities |                      | Total                |                      |
|---|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|   | 2019                    | 2018                 | 2019                     | 2018                 | 2019                 | 2018                 |
| <b>REVENUES</b>                             |                         |                      |                          |                      |                      |                      |
| Program Revenues:                           |                         |                      |                          |                      |                      |                      |
| Fees, Charges, Fines, and Other             | \$ 4,529,175            | \$ 4,079,854         | \$ 29,057,334            | \$ 28,444,708        | \$ 33,586,509        | \$ 32,524,562        |
| Operating Grants and Contributions          | 1,043,447               | 654,612              | 164,240                  | 173,751              | 1,207,687            | 828,363              |
| Capital Grants and Contributions            | 370,556                 | 74,189               | 1,901,846                | 541,562              | 2,272,402            | 615,751              |
| General Revenues:                           |                         |                      |                          |                      |                      |                      |
| Property Taxes                              | 7,505,911               | 7,034,938            | 789,657                  | 1,147,728            | 8,295,568            | 8,182,666            |
| Tax Increments                              | 97,572                  | 96,045               | -                        | -                    | 97,572               | 96,045               |
| Other Taxes                                 | 395                     | 4,633                | -                        | -                    | 395                  | 4,633                |
| Grants and Contributions, Not Restricted    | 879,883                 | 918,242              | -                        | -                    | 879,883              | 918,242              |
| Unrestricted Investment Earnings            | 191,538                 | 95,191               | 48,885                   | 32,732               | 240,423              | 127,923              |
| Gain on Disposal of Capital Assets          | -                       | 15,623               | 3,943                    | 9,457                | 3,943                | 25,080               |
| Miscellaneous                               | 231,792                 | 13,508               | 525,278                  | 2,208                | 757,070              | 15,716               |
| Total Revenues                              | 14,850,269              | 12,986,835           | 32,491,183               | 30,352,146           | 47,341,452           | 43,338,981           |
| <b>EXPENSES</b>                             |                         |                      |                          |                      |                      |                      |
| General Government                          | 2,062,016               | 1,534,471            | -                        | -                    | 2,062,016            | 1,534,471            |
| Public Safety                               | 3,799,258               | 3,681,813            | -                        | -                    | 3,799,258            | 3,681,813            |
| Highways and Streets                        | 4,292,886               | 4,133,639            | -                        | -                    | 4,292,886            | 4,133,639            |
| Culture and Recreation                      | 3,097,006               | 2,993,193            | -                        | -                    | 3,097,006            | 2,993,193            |
| Sanitation                                  | 930,813                 | 912,767              | -                        | -                    | 930,813              | 912,767              |
| Community Development                       | 173,874                 | 291,164              | -                        | -                    | 173,874              | 291,164              |
| Interest on Long-Term Debt                  | 1,061,980               | 701,076              | -                        | -                    | 1,061,980            | 701,076              |
| Electric                                    | -                       | -                    | 13,340,725               | 13,379,943           | 13,340,725           | 13,379,943           |
| Water                                       | -                       | -                    | 2,704,783                | 2,858,491            | 2,704,783            | 2,858,491            |
| Sewer                                       | -                       | -                    | 4,266,795                | 4,381,615            | 4,266,795            | 4,381,615            |
| Liquor Store                                | -                       | -                    | 4,992,017                | 4,830,726            | 4,992,017            | 4,830,726            |
| Golf Course                                 | -                       | -                    | 1,980,357                | 970,695              | 1,980,357            | 970,695              |
| Total Expenses                              | 15,417,833              | 14,248,123           | 27,284,677               | 26,421,470           | 42,702,510           | 40,669,593           |
| Change in Net Position Before Transfers     | (567,564)               | (1,261,288)          | 5,206,506                | 3,930,676            | 4,638,942            | 2,669,388            |
| Transfers                                   | 1,475,000               | 1,395,000            | (1,475,000)              | (1,395,000)          | -                    | -                    |
| <b>CHANGE IN NET POSITION</b>               |                         |                      |                          |                      |                      |                      |
| Net Position - Beginning of Year            | 33,166,445              | 33,293,157           | 15,902,587               | 13,541,345           | 49,069,032           | 46,834,502           |
| Correction of Error                         | -                       | -                    | 309,370                  | -                    | 309,370              | -                    |
| Prior Period Adjustment                     | -                       | (260,424)            | -                        | (174,434)            | -                    | (434,858)            |
| Net Position - Beginning of Year (Restated) | 33,166,445              | 33,032,733           | 16,211,957               | 13,366,911           | 49,378,402           | 46,399,644           |
| <b>NET POSITION - END OF YEAR</b>           | <b>\$ 34,073,881</b>    | <b>\$ 33,166,445</b> | <b>\$ 19,943,463</b>     | <b>\$ 15,902,587</b> | <b>\$ 54,017,344</b> | <b>\$ 49,069,032</b> |

The beginning net position was restated by \$309,370 due to the correction of an error; see Note 18 to the financial statements.

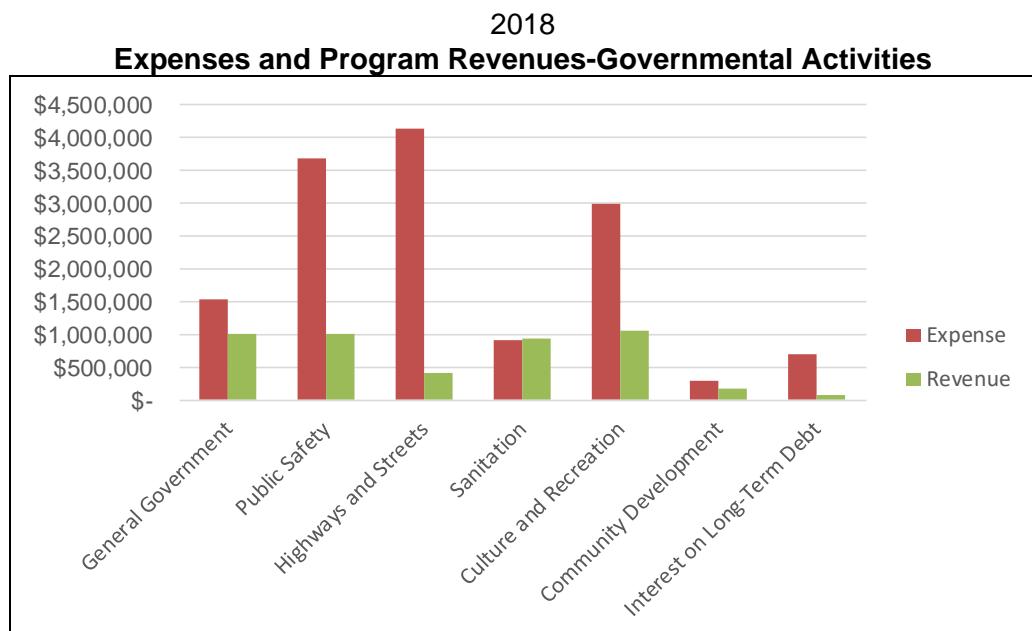
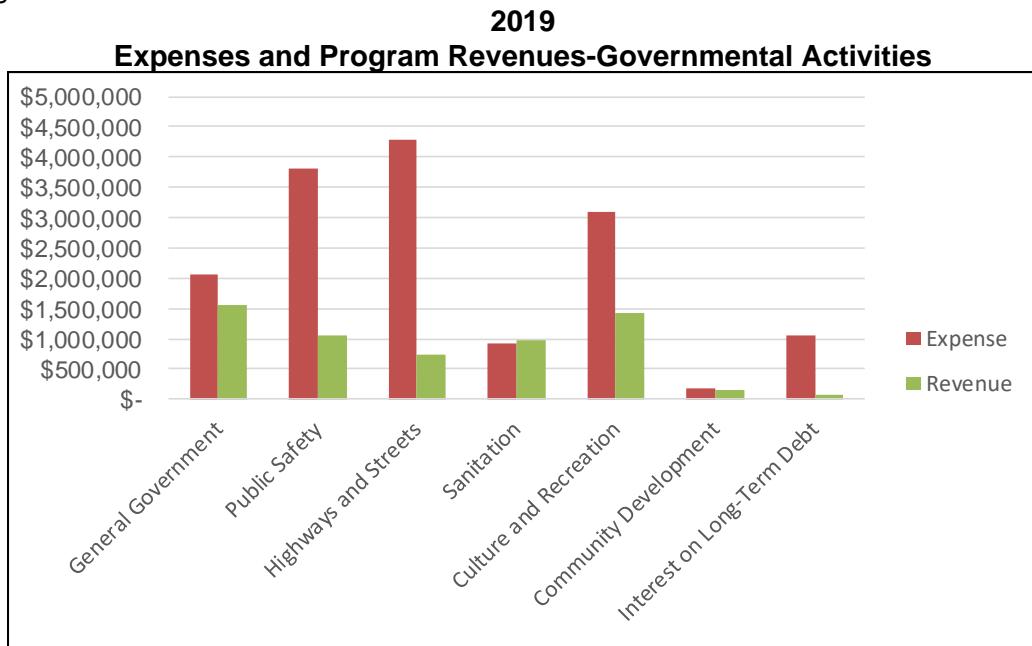
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**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**City of Buffalo's Changes in Net Position (Continued)**

Below are specific graphs that provide comparisons of the governmental activities' direct program revenues with their expenditures. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

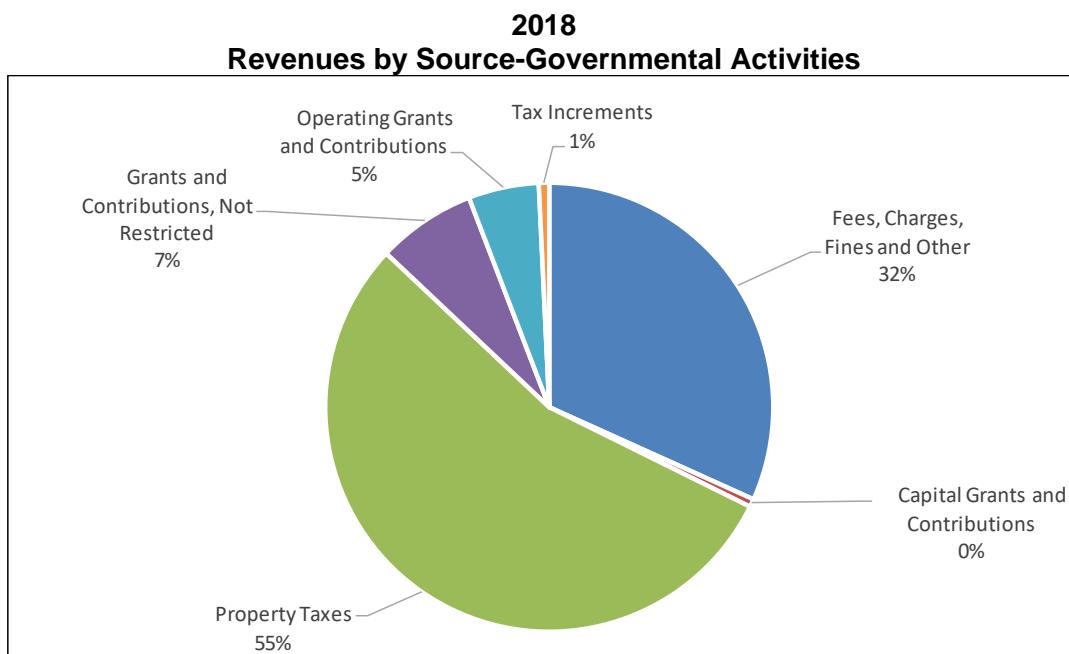
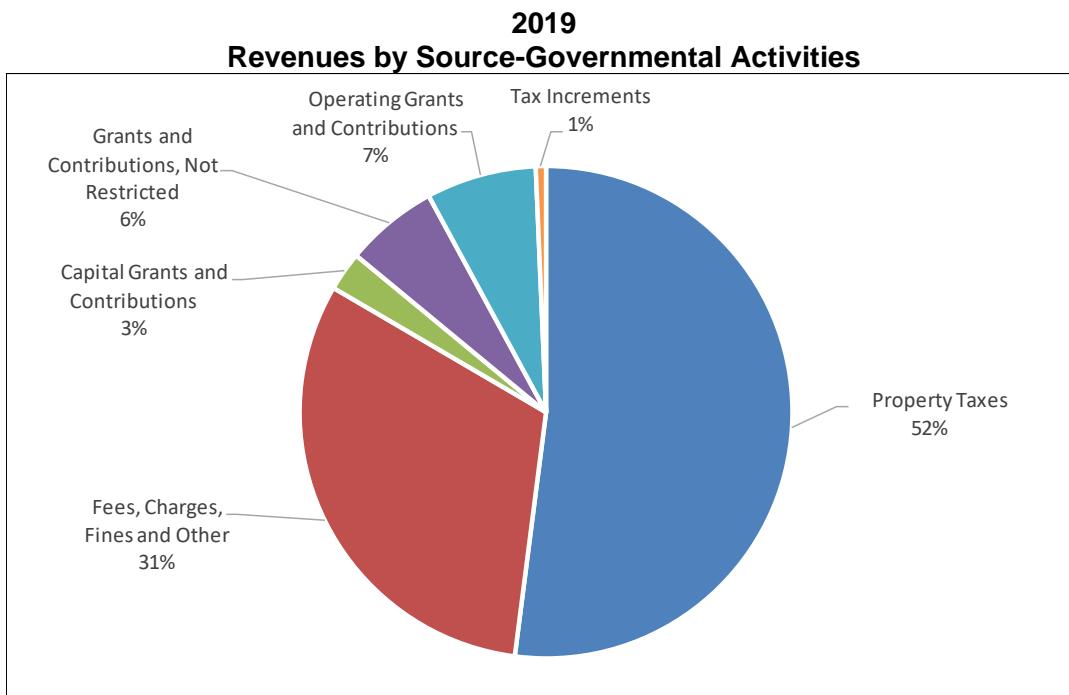


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**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**City of Buffalo's Changes in Net Position (Continued)**



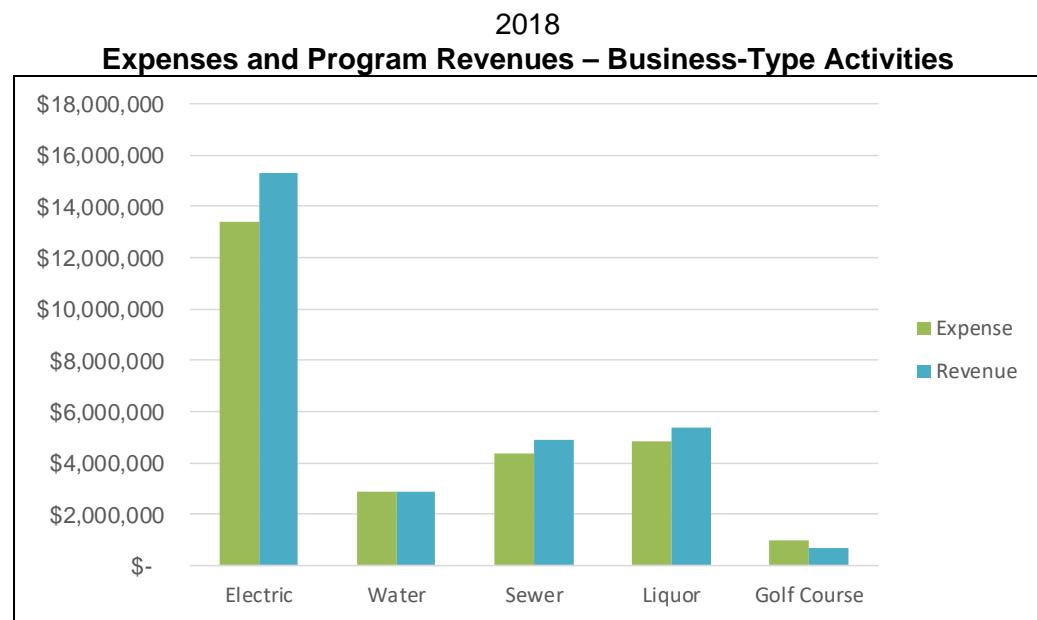
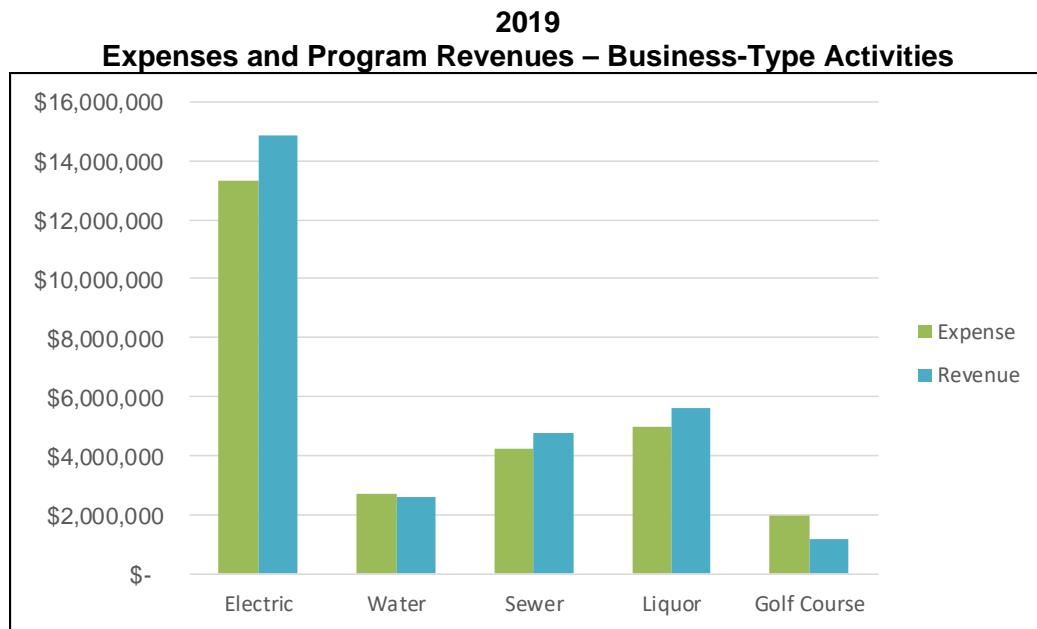
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**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**City of Buffalo's Changes in Net Position (Continued)**

Below are specific graphs that provide comparisons of the business-type activities' direct program revenues with their expenditures. Excess revenues are retained within each fund until such time that capital replacement is needed.



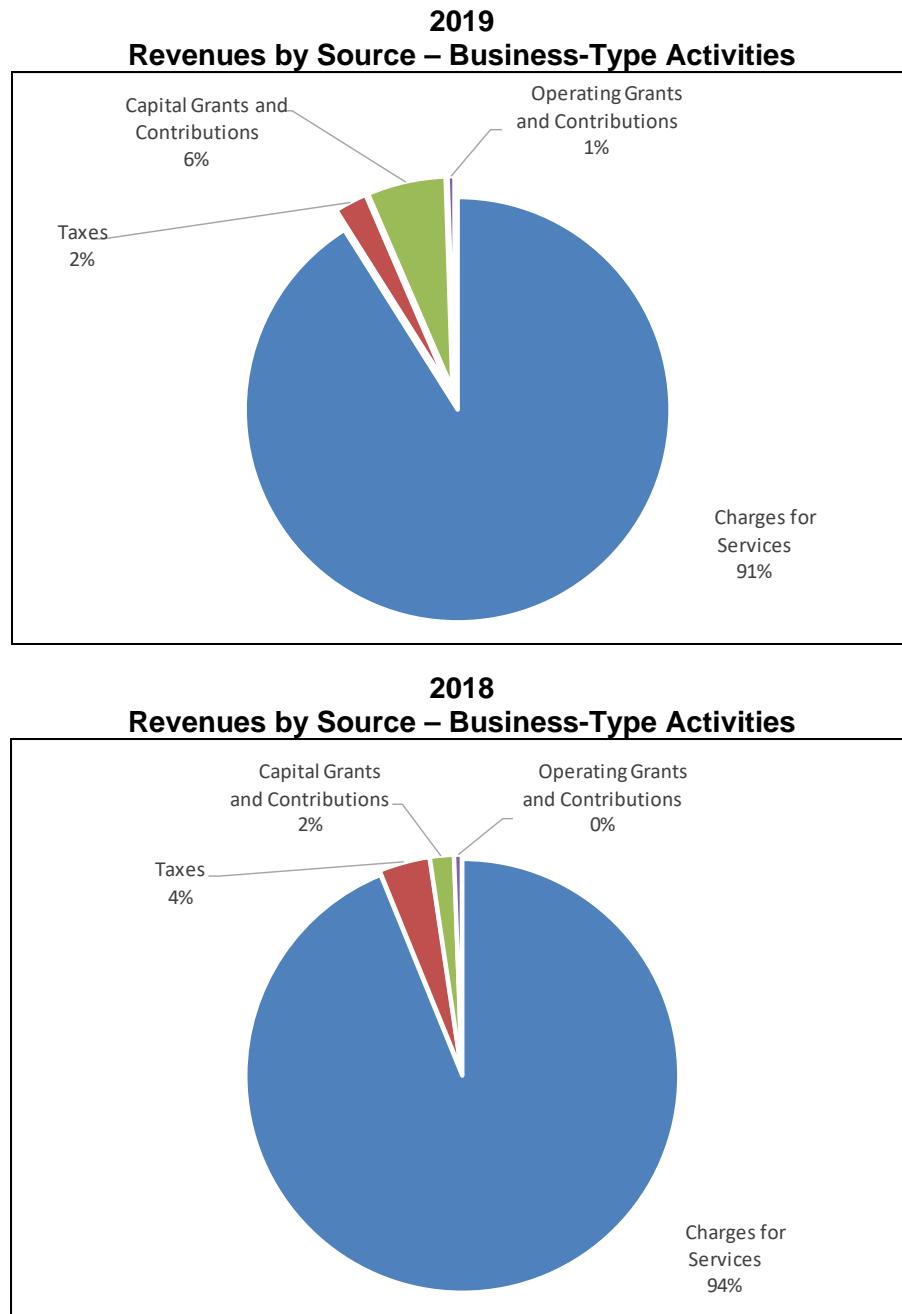
Note: Other income amounts for developer installed utilities and contributed capital from other funds are not included in program revenues in the above graphs.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**City of Buffalo's Changes in Net Position (Continued)**



Note: Other income amounts for developer installed utilities and contributed capital from other funds are not included in revenues in the above charts.

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

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

### **Governmental Funds**

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,451,190, an increase of \$5,103,482 in comparison with 2018. The City reported deficit unassigned fund balance in the amount of \$1,297,616. The remainder of fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending. At December 31, 2019 fund balances were as follows:

|                          | Balance              | Increase<br>(Decrease)<br>from 2018 |
|--------------------------|----------------------|-------------------------------------|
| General Fund             | \$ 5,247,811         | \$ 202,231                          |
| Debt Service Fund        | 5,026,620            | 46,253                              |
| Capital Project Fund     | 6,998,964            | 4,607,815                           |
| HRA Debt Service Fund    | (1,739,247)          | 113,323                             |
| Other Governmental Funds | (1,082,958)          | 133,860                             |
| <b>Total</b>             | <b>\$ 14,451,190</b> | <b>\$ 5,103,482</b>                 |

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,762,173.

During the current fiscal year, the City's general fund balance increased by \$202,231. The increase was a result of revenue and sales of capital assets exceeding expenditures.

### **Debt Service**

The increase in the Debt Service Fund balance of \$46,253 was the result of taxes and other revenues in excess of debt payments.

### **Capital Project**

The Capital Projects Fund balance increased \$4,607,815 as a result of transfers from the General Fund and bond proceeds.

### **HRA Debt Service**

The HRA Debt Service Fund balance increased \$113,323 mainly due to the transfer from the HRA of Buffalo Fund to help with the Series 2017C bond payments for a downtown redevelopment.

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

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)**

**Proprietary Funds**

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

Total net position in the Electric Fund at the end of 2019 was \$18,475,757 of which \$5,684,423 is unrestricted. Net position increased \$829,913 during the current year primarily due to increase in electric sales.

The Water and Sewer Fund has total net position of \$7,020,257. It has an unrestricted net position of \$2,970,316. The increase in net position of \$3,237,564 from 2018 was an increase in access fees revenue and insurance recoveries along with a decrease in operating expense.

The Liquor Fund has total net position of \$1,829,173 of which \$425,242 is unrestricted. Net position increased by \$240,631 from 2018. The net position increase is due to an increase in sales offset with an increase in cost of goods sold and a decrease in compensation and benefits.

The City purchased Wild Marsh Golf Course in May 2004. Wild Marsh has total net position of (\$7,381,724) and unrestricted net position of (\$7,579,864) primarily due to operating losses incurred in the 15½ years of operations.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Revenues were \$92,915 over budget due mainly to an increase in charges for services revenues. Expenditures came in over the budgeted amounts by \$51,353 which is mainly due to Public Safety (building inspections) expenditures higher than expected.

This resulted in a net fund balance increase of \$41,562 compared to budget for the fiscal year. Refer to pages 85-88 of the required supplementary information for additional information.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$134,988,169 (net of accumulated depreciation). This investment in capital assets includes land, buildings, office equipment and furniture, vehicles, machinery and equipment, other capital assets, and infrastructure. The total increase in the City's investment in capital assets (net of accumulated depreciation) was \$1,278,261 when compared to 2018. This increase is a result of current year capital asset additions.

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

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

**Capital Assets (Continued)**

**CITY OF BUFFALO'S CAPITAL ASSETS  
(Net of Accumulated Depreciation)**

|                                     | Governmental Activities |                      | Business-Type Activities |                      | Total                 |                       |
|-------------------------------------|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
|                                     | 2019                    |                      | 2018                     |                      | 2018                  |                       |
|                                     | 2019                    | 2018                 | 2019                     | as Restated          | 2019                  | 2018                  |
| Land                                | \$ 2,779,339            | \$ 4,313,571         | \$ 5,829,934             | \$ 2,636,955         | \$ 8,609,273          | \$ 6,950,526          |
| Land Improvements                   | 7,836,034               | 8,498,619            | 1,903,293                | 1,406,679            | 9,739,327             | 9,905,298             |
| Buildings and Building Improvements | 8,824,243               | 9,119,591            | 28,218,912               | 29,327,134           | 37,043,155            | 38,446,725            |
| Improvements Other than Building    | 1,495,133               | 1,656,933            | -                        | -                    | 1,495,133             | 1,656,933             |
| Vehicle                             | 1,972,284               | 1,169,707            | -                        | -                    | 1,972,284             | 1,169,707             |
| Equipment                           | 1,294,537               | 1,007,715            | 3,283,006                | 3,080,574            | 4,577,543             | 4,088,289             |
| Infrastructure                      | 21,558,458              | 21,268,651           | -                        | -                    | 21,558,458            | 21,268,651            |
| Utility Distribution Systems        | -                       | -                    | 43,520,681               | 47,142,993           | 43,520,681            | 47,142,993            |
| Construction in Progress            | 4,145,370               | 2,136,439            | 2,326,945                | 944,347              | 6,472,315             | 3,080,786             |
| Total                               | <u>\$ 49,905,398</u>    | <u>\$ 49,171,226</u> | <u>\$ 85,082,771</u>     | <u>\$ 84,538,682</u> | <u>\$ 134,988,169</u> | <u>\$ 133,709,908</u> |

**Long-Term Debt**

At the end of the current fiscal year, the City had total bonded debt outstanding of \$92,530,997. Of this amount, \$24,390,000 comprises tax supported debt, \$4,700,000 is tax abatement debt, and \$63,440,997 is revenue supported debt. All outstanding debt carries the general obligation backing for which the City is liable in the event of default by the property owners subject to the specific taxes, special assessments, or revenues pledged to the retirement of the debt.

**CITY OF BUFFALO'S OUTSTANDING DEBT  
(General Obligation)**

|  | Governmental Activities |                      | Business-Type Activities |                      | Total                |                      |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|  | 2019                    |                      | 2018                     |                      | 2019                 |                      |
|  | 2019                    | 2018                 | 2019                     | 2018                 | 2019                 | 2018                 |
| G.O. Tax Supported Debt                          | \$ 22,170,000           | \$ 17,790,000        | \$ 2,220,000             | \$ 3,040,000         | \$ 24,390,000        | \$ 20,830,000        |
| G.O. Tax Abatement Debt                          | 1,855,000               | 5,045,000            | 2,845,000                | 2,990,000            | 4,700,000            | 8,035,000            |
| G.O. Revenue Debt                                | 1,686,751               | 1,890,898            | 61,754,246               | 61,912,662           | 63,440,997           | 63,803,560           |
| Interest Accretion on Capital Appreciation Bonds | -                       | -                    | -                        | 2,561,879            | -                    | 2,561,879            |
| Total  | <u>\$ 25,711,751</u>    | <u>\$ 24,725,898</u> | <u>\$ 66,819,246</u>     | <u>\$ 70,504,541</u> | <u>\$ 92,530,997</u> | <u>\$ 95,230,439</u> |

The City's total bonded debt decreased by \$2,699,442 or (2.8%) during the current fiscal year. There were three new bonds issued in the current fiscal year, a \$8,295,000 General Obligation Water and Sewer Revenue Refunding Bond, a \$6,710,000 General Obligation Bond, and a \$3,960,000 General Obligation Refunding Bond.

The City maintained an "A+/Stable" rating from Standard & Poor's for general obligation debt. Refer to Notes 4 and 5 for detailed information on capital assets and long-term debt.

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

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The unemployment rate for Wright County is currently 3.1% based on U.S. Department of Labor: Bureau of Labor statistics.
- The City continues to see growth in both market value and new construction in 2019:
  - New construction permits were issued for 48 single family homes and 3 multi-family buildings. In 2018, 47 permits were issued for new single family homes and 2 permits issued for multi-family buildings.
  - Construction continued on two new residential developments that started in late 2018 with construction expected to continue into 2021. Upon completion, 232 lots with varying housing types will be added within the City limits.
  - Wright County began construction on a second facility at the new county campus in the City limits of Buffalo. Construction continued on the courthouse facility that began in 2018.
  - In 2019, construction began on a new 90-unit senior living facility and a new 60-unit mixed income facility. Both projects are expected to be completed in 2020.
- Interest rates began to creep up in 2019 and are reflected in the City's investment earnings. Rates and returns are expected to be lower in 2020. Interest rates on debt are also low and have allowed for bond refundings resulting in savings for the City.
- Local Government Aid increased from \$846,345 (2018) to \$853,732 (2019) and is expected to increase an additional \$120,607 in 2020 to \$974,339. Although it has increased the past few years, it is still down significantly from a high of \$1,415,301 received in 2001. The amount for 2021 has not yet been finalized and could be impacted by the state of Minnesota's pandemic response to COVID-19.
- The City continued to make improvements to infrastructure in 2019:
  - Mill & overlay street maintenance was completed as part of a pavement management program.
  - Work continued on a large project at the Wastewater treatment plant to improve biosolids processing that began in 2018.
  - A total street and utility reconstruction project was started in 2019 for two areas within the City (SE Area Phase III & Douglas Drive), with expected completion in 2020.
- Construction on a new fire station is scheduled to begin in 2020 with an estimated completion date in 2021.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Buffalo's finances for all of those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk, City of Buffalo, 212 Central Ave., Buffalo, Minnesota, 55313.

## **BASIC FINANCIAL STATEMENTS**



**CITY OF BUFFALO, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**  
**(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2018)**

|   | 2019                    |                          |               | 2018          |
|---|-------------------------|--------------------------|---------------|---------------|
|   | Governmental Activities | Business-Type Activities | Total         | Total         |
| <b>ASSETS</b>                             |                         |                          |               |               |
| Cash and Investments                      | \$ 14,730,488           | \$ 3,655,233             | \$ 18,385,721 | \$ 13,718,598 |
| Cash with Fiscal Agent                    | -                       | 922,500                  | 922,500       | 922,500       |
| Taxes Receivable                          | 68,389                  | 7,046                    | 75,435        | 54,975        |
| Special Assessments Receivable            | 728,217                 | -                        | 728,217       | 744,387       |
| Accounts Receivable                       | 787,879                 | 2,471,506                | 3,259,385     | 2,477,327     |
| Hook-up Fees Receivable - Current         | -                       | -                        | -             | 3,510         |
| Due from Other Governments                | 688,956                 | 90,068                   | 779,024       | 294,432       |
| Accrued Interest Receivable               | 10,288                  | 1,968                    | 12,256        | -             |
| Lease Receivable                          | -                       | -                        | -             | 3,006,250     |
| Inventory                                 | 12,433                  | 2,192,968                | 2,205,401     | 1,637,601     |
| Prepaid Items                             | 85,511                  | 85,508                   | 171,019       | 140,786       |
| Hook-up Fees Receivable - Noncurrent      | -                       | 97,832                   | 97,832        | 77,363        |
| Loans Receivable                          | 26,619                  | -                        | 26,619        | 45,840        |
| Land Held for Resale                      | 222,200                 | -                        | 222,200       | 238,059       |
| Net Pension Asset                         | 264,620                 | -                        | 264,620       | 526,552       |
| Capital Assets:                           |                         |                          |               |               |
| Land and Construction in Progress         | 6,924,709               | 8,156,879                | 15,081,588    | 10,031,312    |
| Other Capital Assets, Net of Depreciation | 42,980,689              | 76,925,892               | 119,906,581   | 123,369,226   |
| Total Capital Assets                      | 49,905,398              | 85,082,771               | 134,988,169   | 133,400,538   |
| Total Assets                              | 67,530,998              | 94,607,400               | 162,138,398   | 157,288,718   |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>      |                         |                          |               |               |
| Refunding Loss on Bonds                   | 17,669                  | 189,337                  | 207,006       | 265,791       |
| Pension Related                           | 1,703,542               | 237,848                  | 1,941,390     | 2,680,482     |
| OPEB Related                              | 6,655                   | 4,458                    | 11,113        | 5,969         |
| Total Deferred Outflow of Resources       | 1,727,866               | 431,643                  | 2,159,509     | 2,952,242     |
| <b>LIABILITIES</b>                        |                         |                          |               |               |
| Accounts and Contracts Payable            | 797,859                 | 1,532,580                | 2,330,439     | 1,868,037     |
| Other Accrued Liabilities                 | 218,234                 | 276,755                  | 494,989       | 425,035       |
| Accrued Interest Payable                  | 370,371                 | 578,080                  | 948,451       | 711,142       |
| Due to Other Governmental Units           | 18,132                  | 17,770                   | 35,902        | 57,092        |
| Escrow Deposits                           | 240,175                 | 1,200                    | 241,375       | 232,578       |
| Unearned Revenue                          | 200                     | 39,505                   | 39,705        | 59,913        |
| Net Pension Liability                     | 2,512,609               | 2,257,067                | 4,769,676     | 4,686,705     |
| OPEB Liability                            | 323,802                 | 216,884                  | 540,686       | 499,663       |
| Long-Term Liabilities:                    |                         |                          |               |               |
| Due within One Year                       | 3,089,209               | 4,957,211                | 8,046,420     | 6,724,839     |
| Due in More than One Year                 | 25,493,060              | 64,763,232               | 90,256,292    | 92,583,375    |
| Total Liabilities                         | 33,063,651              | 74,640,284               | 107,703,935   | 107,848,379   |
| <b>DEFERRED INFLOW OF RESOURCES</b>       |                         |                          |               |               |
| Refunding Gain on Bonds                   | 12,769                  | 19,837                   | 32,606        | -             |
| Pension Related                           | 2,099,415               | 429,332                  | 2,528,747     | 3,323,549     |
| OPEB Related                              | 9,148                   | 6,127                    | 15,275        | -             |
| Total Deferred Inflow of Resources        | 2,121,332               | 455,296                  | 2,576,628     | 3,323,549     |
| <b>NET POSITION</b>                       |                         |                          |               |               |
| Net Investment in Capital Assets          | 26,852,763              | 18,443,346               | 45,296,109    | 43,855,959    |
| Restricted for:                           |                         |                          |               |               |
| Debt Service                              | 3,640,292               | -                        | 3,640,292     | 6,750,541     |
| Fire Relief Pension                       | 322,981                 | -                        | 322,981       | 388,884       |
| Federal Loan Programs                     | 6,051                   | -                        | 6,051         | 16,723        |
| Unrestricted                              | 3,251,794               | 1,500,117                | 4,751,911     | (1,943,075)   |
| Total Net Position                        | \$ 34,073,881           | \$ 19,943,463            | \$ 54,017,344 | \$ 49,069,032 |

See accompanying Notes to Basic Financial Statements.

**CITY OF BUFFALO, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)**

| Functions/Programs             | 2019          |                                    |                                       |                                     |
|--------------------------------|---------------|------------------------------------|---------------------------------------|-------------------------------------|
|                                | Expenses      | Program Revenues                   |                                       |                                     |
|                                |               | Fees, Charges,<br>Fines, and Other | Operating Grants<br>and Contributions | Capital Grants<br>and Contributions |
| Governmental Activities:       |               |                                    |                                       |                                     |
| General Government             | \$ 2,062,016  | \$ 1,560,261                       | \$ -                                  | \$ 4,230                            |
| Public Safety                  | 3,799,258     | 752,111                            | 298,192                               | 2,800                               |
| Highways and Streets           | 4,292,886     | 34,002                             | 632,036                               | 64,547                              |
| Sanitation                     | 930,813       | 962,600                            | -                                     | -                                   |
| Culture and Recreation         | 3,097,006     | 1,000,931                          | 113,219                               | 298,979                             |
| Community Development          | 173,874       | 155,587                            | -                                     | -                                   |
| Interest on Long-Term Debt     | 1,061,980     | 63,683                             | -                                     | -                                   |
| Total Governmental Activities  | 15,417,833    | 4,529,175                          | 1,043,447                             | 370,556                             |
| Business-Type Activities:      |               |                                    |                                       |                                     |
| Electric                       | 13,340,725    | 14,864,350                         | 159,481                               | -                                   |
| Water                          | 2,704,783     | 2,628,150                          | 1,741                                 | 365,430                             |
| Sewer                          | 4,266,795     | 4,764,352                          | -                                     | 1,536,416                           |
| Liquor                         | 4,992,017     | 5,632,510                          | 922                                   | -                                   |
| Golf Course                    | 1,980,357     | 1,167,972                          | 2,096                                 | -                                   |
| Total Business-Type Activities | 27,284,677    | 29,057,334                         | 164,240                               | 1,901,846                           |
| Total                          | \$ 42,702,510 | \$ 33,586,509                      | \$ 1,207,687                          | \$ 2,272,402                        |

General Revenues:

Taxes:

    Property Taxes, Levied for General Purpose

    Tax Increments

    Other Taxes

Grants and Contributions not Restricted to Specific Programs

Unrestricted Investment Earnings

Insurance Recovery

Gain on Disposal of Capital Assets

Miscellaneous

Transfers

Total General Revenues and Transfers

**CHANGE IN NET POSITION**

Net Position - Beginning of Year

Correction of an Error

Change in Accounting Principle

Net Position - Beginning of Year, as Restated

**NET POSITION - END OF YEAR**

| 2019  |                          |                      | 2018                 |    |
|---|--------------------------|----------------------|----------------------|----|
| Net (Expense) Revenue and Changes in Net Position |                          |                      |                      |    |
| Governmental Activities                           | Business-Type Activities | Total                | Total                |    |
| \$  | \$                       | \$                   | \$                   | \$ |
| (497,525)   | -                        | (497,525)            | (550,610)            |    |
| (2,746,155)                                       | -                        | (2,746,155)          | (2,685,839)          |    |
| (3,562,301)                                       | -                        | (3,562,301)          | (3,770,464)          |    |
| 31,787  | -                        | 31,787               | 40,104               |    |
| (1,683,877)                                       | -                        | (1,683,877)          | (1,736,680)          |    |
| (18,287)  | -                        | (18,287)             | (112,953)            |    |
| (998,297)   | -                        | (998,297)            | (623,026)            |    |
| <u>(9,474,655)</u>                                | <u>-</u>                 | <u>(9,474,655)</u>   | <u>(9,439,468)</u>   |    |
|   |                          |                      |                      |    |
| -   | 1,683,106                | 1,683,106            | 1,929,382            |    |
| -   | 290,538                  | 290,538              | 22,520               |    |
| -   | 2,033,973                | 2,033,973            | 539,161              |    |
| -   | 641,415                  | 641,415              | 544,036              |    |
| -   | (810,289)                | (810,289)            | (296,548)            |    |
| <u>-</u>  | <u>3,838,743</u>         | <u>3,838,743</u>     | <u>2,738,551</u>     |    |
|   |                          |                      |                      |    |
| (9,474,655)                                       | 3,838,743                | (5,635,912)          | (6,700,917)          |    |
|   |                          |                      |                      |    |
| 7,505,911   | 789,657                  | 8,295,568            | 8,182,666            |    |
| 97,572  | -                        | 97,572               | 96,045               |    |
| 395   | -                        | 395                  | 4,633                |    |
| 879,883   | -                        | 879,883              | 918,242              |    |
| 191,538   | 48,885                   | 240,423              | 127,923              |    |
| 30,552  | 308,964                  | 339,516              | -                    |    |
| -   | 3,943                    | 3,943                | 25,080               |    |
| 201,240   | 216,314                  | 417,554              | 15,716               |    |
| <u>1,475,000</u>                                  | <u>(1,475,000)</u>       | <u>-</u>             | <u>-</u>             |    |
| <u>10,382,091</u>                                 | <u>(107,237)</u>         | <u>10,274,854</u>    | <u>9,370,305</u>     |    |
|   |                          |                      |                      |    |
| 907,436   | 3,731,506                | 4,638,942            | 2,669,388            |    |
|   |                          |                      |                      |    |
| 33,166,445  | 15,902,587               | 49,069,032           | 46,834,502           |    |
| -   | 309,370                  | 309,370              | -                    |    |
| -   | -                        | -                    | (434,858)            |    |
| <u>33,166,445</u>                                 | <u>16,211,957</u>        | <u>49,378,402</u>    | <u>46,399,644</u>    |    |
|   |                          |                      |                      |    |
| <u>\$ 34,073,881</u>                              | <u>\$ 19,943,463</u>     | <u>\$ 54,017,344</u> | <u>\$ 49,069,032</u> |    |

**CITY OF BUFFALO, MINNESOTA**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**DECEMBER 31, 2019**  
**(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2018)**

|  | 2019                       |                            |                            |                             |
|--|----------------------------|----------------------------|----------------------------|-----------------------------|
|  | General<br>Fund            | Debt<br>Service<br>Fund    | Capital<br>Project<br>Fund | HRA Debt<br>Service<br>Fund |
| <b>ASSETS</b>  |                            |                            |                            |                             |
| Cash and Investments   | \$ 3,343,440               | \$ 3,184,931               | \$ 7,173,693               | \$ 90,768                   |
| Taxes Receivable   |                            |                            |                            |                             |
| Delinquent   | 42,959                     | 22,348                     | -                          | -                           |
| Special Assessments Receivable:  |                            |                            |                            |                             |
| Current  | -                          | -                          | -                          | -                           |
| Noncurrent   | 27,088                     | 700,942                    | 187                        | -                           |
| Accounts Receivable  | 659,042                    | -                          | -                          | -                           |
| Due from Other Governmental Units  | 470,203                    | 18,674                     | 15,000                     | -                           |
| Accrued Interest Receivable  | 662                        | -                          | 9,626                      | -                           |
| Advances to Other Funds  | 2,396,378                  | 1,830,015                  | -                          | -                           |
| Lease Receivable   | -                          | -                          | -                          | -                           |
| Inventory  | -                          | -                          | -                          | -                           |
| Prepaid Expenses   | 81,460                     | -                          | -                          | -                           |
| Loans Receivable, Net of Allowance   | -                          | -                          | -                          | -                           |
| Land Held for Resale   | <u>7,800</u>               | <u>-</u>                   | <u>-</u>                   | <u>-</u>                    |
| Total Assets   | <u><u>\$ 7,029,032</u></u> | <u><u>\$ 5,756,910</u></u> | <u><u>\$ 7,198,506</u></u> | <u><u>\$ 90,768</u></u>     |
| <b>LIABILITIES, DEFERRED INFLOW<br/>OF RESOURCES, AND<br/>FUND BALANCES (DEFICITS)</b> |                            |                            |                            |                             |
| <b>LIABILITIES</b>   |                            |                            |                            |                             |
| Accounts and Contracts Payable   | \$ 479,556                 | \$ 7,000                   | \$ 198,334                 | \$ -                        |
| Other Accrued Liabilities  | 165,940                    | -                          | -                          | -                           |
| Due to Other Governmental Units  | 18,130                     | -                          | -                          | -                           |
| Advances From Other Funds  | -                          | -                          | -                          | 1,830,015                   |
| Unearned Revenue   | -                          | -                          | -                          | -                           |
| Escrow Deposits  | 236,604                    | -                          | -                          | -                           |
| Total Liabilities  | <u>900,230</u>             | <u>7,000</u>               | <u>198,334</u>             | <u>1,830,015</u>            |
| <b>DEFERRED INFLOW OF RESOURCES</b>  |                            |                            |                            |                             |
| Unavailable Taxes  | 42,959                     | 22,348                     | -                          | -                           |
| Unavailable Special Assessments  | 27,088                     | 700,942                    | 187                        | -                           |
| Unavailable Revenues   | 390,944                    | -                          | 1,021                      | -                           |
| Unavailable Lease Receivables  | 420,000                    | -                          | -                          | -                           |
| Unavailable Loans and Interest Receivables   | -                          | -                          | -                          | -                           |
| Total Deferred Inflow of Resources   | <u>880,991</u>             | <u>723,290</u>             | <u>1,208</u>               | <u>-</u>                    |
| <b>FUND BALANCES (DEFICITS)</b>  |                            |                            |                            |                             |
| Nonspendable   | 2,485,638                  | -                          | -                          | -                           |
| Restricted   | -                          | 5,026,620                  | 5,176,267                  | -                           |
| Committed  | -                          | -                          | 1,822,697                  | -                           |
| Unassigned   | 2,762,173                  | -                          | -                          | (1,739,247)                 |
| Total Fund Balances (Deficits)   | <u>5,247,811</u>           | <u>5,026,620</u>           | <u>6,998,964</u>           | <u>(1,739,247)</u>          |
| Total Liabilities, Deferred Inflow of Resources, and Fund Balances                     | <u><u>\$ 7,029,032</u></u> | <u><u>\$ 5,756,910</u></u> | <u><u>\$ 7,198,506</u></u> | <u><u>\$ 90,768</u></u>     |

See accompanying Notes to Basic Financial Statements.

| 2019                           |                                | 2018                           |  |
|--------------------------------|--------------------------------|--------------------------------|--|
| Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |  |
| \$ 937,656                     | \$ 14,730,488                  | \$ 9,386,837                   |  |
| 3,082                          | 68,389                         | 48,747                         |  |
| -                              | -                              | 1,419                          |  |
| -                              | 728,217                        | 742,968                        |  |
| 128,837                        | 787,879                        | 301,274                        |  |
| 185,079                        | 688,956                        | 285,966                        |  |
| -                              | 10,288                         | -                              |  |
| -                              | 4,226,393                      | 4,454,264                      |  |
| -                              | -                              | 3,006,250                      |  |
| 12,433                         | 12,433                         | 12,534                         |  |
| 4,051                          | 85,511                         | 73,195                         |  |
| 26,619                         | 26,619                         | 45,840                         |  |
| 214,400                        | 222,200                        | 238,059                        |  |
| <u>\$ 1,512,157</u>            | <u>\$ 21,587,373</u>           | <u>\$ 18,597,353</u>           |  |

|                     |                      |                      |  |
|---------------------|----------------------|----------------------|--|
| \$ 112,969          | \$ 797,859           | \$ 624,643           |  |
| 52,294              | 218,234              | 183,280              |  |
| 2                   | 18,132               | 48,197               |  |
| 2,396,378           | 4,226,393            | 4,277,237            |  |
| 200                 | 200                  | 35,120               |  |
| 3,571               | 240,175              | 232,578              |  |
| <u>2,565,414</u>    | <u>5,500,993</u>     | <u>5,401,055</u>     |  |
| 3,082               | 68,389               | 48,747               |  |
| -                   | 728,217              | 742,968              |  |
| -                   | 391,965              | 4,785                |  |
| -                   | 420,000              | 3,006,250            |  |
| 26,619              | 26,619               | 45,840               |  |
| 29,701              | 1,635,190            | 3,848,590            |  |
| 230,884             | 2,716,522            | 2,873,037            |  |
| -                   | 10,202,887           | 5,482,821            |  |
| 1,006,700           | 2,829,397            | 2,768,189            |  |
| (2,320,542)         | (1,297,616)          | (1,776,339)          |  |
| (1,082,958)         | <u>14,451,190</u>    | <u>9,347,708</u>     |  |
| <u>\$ 1,512,157</u> | <u>\$ 21,587,373</u> | <u>\$ 18,597,353</u> |  |

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**CITY OF BUFFALO, MINNESOTA**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2019**  
**(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2018)**

|  | <b>2019</b>                 | <b>2018</b>                 |
|--|-----------------------------|-----------------------------|
| Total Fund Balance for Governmental Funds  | \$ 14,451,190               | \$ 9,347,708                |
| Total net position reported for governmental activities in the statement of net position is different because:   |                             |                             |
| Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:  |                             |                             |
| Land   | 2,779,339                   | 4,313,571                   |
| Construction in Progress   | 4,145,370                   | 2,136,439                   |
| Land Improvements  | 15,880,298                  | 15,891,701                  |
| Buildings and Improvements   | 17,689,874                  | 17,571,532                  |
| Improvements Other than Buildings  | 3,634,838                   | 3,661,253                   |
| Vehicles   | 4,731,056                   | 3,809,750                   |
| Equipment  | 6,507,093                   | 6,294,549                   |
| Infrastructure   | 83,480,027                  | 81,029,246                  |
| Less: Accumulated Depreciation   | (88,942,497)                | (85,536,815)                |
| The City's net pension asset and liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:   |                             |                             |
| Net Pension Asset  | 264,620                     | 526,552                     |
| Net Pension Liability  | (2,512,609)                 | (2,641,640)                 |
| Deferred Inflows of Resources - Pension Related  | (2,099,415)                 | (2,771,291)                 |
| Deferred Outflows of Resources - Pension Related   | 1,703,542                   | 2,284,031                   |
| The City's other postemployment benefit liability and related deferred outflows are recorded only on the statement of net position. Balances at year-end are:  |                             |                             |
| Other Postemployment Benefits Liability  | (323,802)                   | (299,234)                   |
| Deferred Inflows of Resources - OPEB Related   | (9,148)                     | -                           |
| Deferred Outflows of Resources - OPEB Related  | 6,655                       | 3,575                       |
| Some of the City's property taxes, special assessments, and other receivables will be collected after year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.                      | 1,635,190                   | 3,848,590                   |
| The loss on refunding is reported as a deferred outflow on the statement of net position and amortized over the life of the bonds.   | 17,669                      | 22,339                      |
| The gain on refunding is reported as a deferred inflow on the statement of net position and amortized over the life of the bonds.  | (12,769)                    | -                           |
| Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is included in the statement of net position.  | (370,371)                   | (262,574)                   |
| Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances at year-end are: |                             |                             |
| Bonds Payable  | (25,711,751)                | (24,725,898)                |
| Unamortized Bond Premiums  | (1,159,399)                 | (341,684)                   |
| Obligations Under Capital Leases   | (1,257,410)                 | (527,443)                   |
| Compensated Absences Payable   | (453,709)                   | (467,812)                   |
| Total Net Position of Governmental Activities  | <u><u>\$ 34,073,881</u></u> | <u><u>\$ 33,166,445</u></u> |

See accompanying Notes to Basic Financial Statements.

**CITY OF BUFFALO, MINNESOTA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**YEAR ENDED DECEMBER 31, 2019**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)**

|  | 2019                       |                            |                            |                              |
|--|----------------------------|----------------------------|----------------------------|------------------------------|
|  | General<br>Fund            | Debt<br>Service<br>Fund    | Capital<br>Project<br>Fund | HRA Debt<br>Service<br>Fund  |
| <b>REVENUES</b>                              |                            |                            |                            |                              |
| General Property Taxes                       | \$ 4,786,632               | \$ 2,376,638               | \$ -                       | \$ -                         |
| Tax Increments                               | -                          | -                          | -                          | -                            |
| Other Taxes                                  | 395                        | -                          | -                          | -                            |
| Licenses and Permits                         | 579,621                    | -                          | -                          | -                            |
| Intergovernmental                            | 1,256,191                  | -                          | 89,495                     | -                            |
| Special Assessments                          | 5,011                      | 17,470                     | 5,749                      | -                            |
| Charges for Services                         | 1,627,857                  | 3,194,337                  | -                          | -                            |
| Fines and Forfeits                           | 35,529                     | -                          | -                          | -                            |
| Investment Earnings (Loss)                   | 27,533                     | 8,282                      | 90,711                     | 69,492                       |
| Refunds and Reimbursements                   | 160,569                    | -                          | 20,328                     | 165,000                      |
| Grants and Contributions                     | 41,116                     | -                          | -                          | -                            |
| Miscellaneous                                | 16,275                     | -                          | 7,000                      | -                            |
| Total Revenues                               | <u>8,536,729</u>           | <u>5,596,727</u>           | <u>213,283</u>             | <u>234,492</u>               |
| <b>EXPENDITURES</b>                          |                            |                            |                            |                              |
| Current:                                     |                            |                            |                            |                              |
| General Government                           | 1,667,713                  | -                          | -                          | -                            |
| Public Safety                                | 3,085,051                  | -                          | -                          | -                            |
| Public Works                                 | 1,448,039                  | -                          | -                          | -                            |
| Sanitation                                   | 930,813                    | -                          | -                          | -                            |
| Culture and Recreation                       | 1,022,747                  | -                          | -                          | -                            |
| Community Development                        | -                          | -                          | -                          | -                            |
| Capital Outlay:                              |                            |                            |                            |                              |
| General Government                           | 260,250                    | -                          | -                          | -                            |
| Public Safety                                | 121,240                    | -                          | -                          | -                            |
| Public Works                                 | 247,919                    | -                          | 3,530,208                  | -                            |
| Culture and Recreation                       | 144,011                    | -                          | -                          | -                            |
| Community Development                        | -                          | -                          | -                          | -                            |
| Capital Leases:                              |                            |                            |                            |                              |
| Principal                                    | 204,474                    | -                          | -                          | -                            |
| Interest and Fiscal Charges                  | 7,835                      | -                          | -                          | -                            |
| Debt Service:                                |                            |                            |                            |                              |
| Principal                                    | -                          | 5,343,847                  | -                          | 185,000                      |
| Interest and Fiscal Charges                  | -                          | 755,805                    | 134,719                    | 71,690                       |
| Total Expenditures                           | <u>9,140,092</u>           | <u>6,099,652</u>           | <u>3,664,927</u>           | <u>256,690</u>               |
| Revenue Over (Under) Expenditures            | (603,363)                  | (502,925)                  | (3,451,644)                | (22,198)                     |
| <b>OTHER FINANCING SOURCES (USES)</b>        |                            |                            |                            |                              |
| Transfer In                                  | 1,375,000                  | 322,448                    | 879,743                    | 178,587                      |
| Transfer Out                                 | (1,414,909)                | -                          | (11,771)                   | (43,066)                     |
| Bond Proceeds                                | -                          | 2,931,020                  | 6,628,680                  | -                            |
| Proceeds from Sale of Capital Assets         | 422,320                    | -                          | -                          | -                            |
| Capital Lease Proceeds                       | 423,183                    | -                          | -                          | -                            |
| Payment to Escrow Agent - Refunding Bond     | -                          | (3,092,990)                | -                          | -                            |
| Bond Premium                                 | -                          | 388,700                    | 562,807                    | -                            |
| Total Other Financing Sources                | <u>805,594</u>             | <u>549,178</u>             | <u>8,059,459</u>           | <u>135,521</u>               |
| <b>NET CHANGE IN FUND BALANCES</b>           | 202,231                    | 46,253                     | 4,607,815                  | 113,323                      |
| Fund Balances (Deficit) - Beginning of Year  | <u>5,045,580</u>           | <u>4,980,367</u>           | <u>2,391,149</u>           | <u>(1,852,570)</u>           |
| <b>FUND BALANCES (DEFICIT) - END OF YEAR</b> | <u><b>\$ 5,247,811</b></u> | <u><b>\$ 5,026,620</b></u> | <u><b>\$ 6,998,964</b></u> | <u><b>\$ (1,739,247)</b></u> |

See accompanying Notes to Basic Financial Statements.

| 2019                           |                                | 2018                           |  |
|--------------------------------|--------------------------------|--------------------------------|--|
| Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |  |
| \$ 322,999                     | \$ 7,486,269                   | \$ 7,040,998                   |  |
| 97,572                         | 97,572                         | 96,045                         |  |
| -                              | 395                            | 4,633                          |  |
| -                              | 579,621                        | 432,679                        |  |
| 454,432                        | 1,800,118                      | 1,521,358                      |  |
| -                              | 28,230                         | 54,388                         |  |
| 1,489,222                      | 6,311,416                      | 3,425,524                      |  |
| -                              | 35,529                         | 33,563                         |  |
| (7,755)                        | 188,263                        | 96,125                         |  |
| 35,717                         | 381,614                        | 353,692                        |  |
| 51,998                         | 93,114                         | 124,316                        |  |
| 1,300                          | 24,575                         | 20,218                         |  |
| <b>2,445,485</b>               | <b>17,026,716</b>              | <b>13,203,539</b>              |  |
| <br>- 1,667,713                | <br>1,675,908                  |                                |  |
| 469,170 3,554,221              | 3,052,548                      |                                |  |
| - 1,448,039                    | 1,375,594                      |                                |  |
| - 930,813                      | 912,767                        |                                |  |
| 1,249,173 2,271,920            | 2,169,945                      |                                |  |
| 173,874 173,874                | 190,395                        |                                |  |
| <br>- 260,250                  | <br>6,831                      |                                |  |
| 702,530 823,770                | 56,092                         |                                |  |
| - 3,778,127                    | 1,073,639                      |                                |  |
| 506,501 650,512                | 258,081                        |                                |  |
| - -                            | 80,472                         |                                |  |
| 174,309 378,783                | 329,402                        |                                |  |
| 19,773 27,608                  | 12,187                         |                                |  |
| <br>- 5,528,847                | <br>2,332,678                  |                                |  |
| - 962,214                      | 747,499                        |                                |  |
| <b>3,295,330</b>               | <b>22,456,691</b>              | <b>14,274,038</b>              |  |
| <br>(849,845)                  | <br>(5,429,975)                | <br>(1,070,499)                |  |
| <br>465,000 3,220,778          | <br>3,889,195                  |                                |  |
| (276,032) (1,745,778)          | (2,494,195)                    |                                |  |
| - 9,559,700                    | -                              |                                |  |
| 109,170 531,490                | 15,623                         |                                |  |
| 685,567 1,108,750              | 64,540                         |                                |  |
| - (3,092,990)                  | -                              |                                |  |
| <br>- 951,507                  | <br>-                          |                                |  |
| <b>983,705</b>                 | <b>10,533,457</b>              | <b>1,475,163</b>               |  |
| 133,860 5,103,482              | 404,664                        |                                |  |
| (1,216,818) 9,347,708          | 8,943,044                      |                                |  |
| <b>\$ (1,082,958)</b>          | <b>\$ 14,451,190</b>           | <b>\$ 9,347,708</b>            |  |

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**CITY OF BUFFALO, MINNESOTA**  
**RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)**

|  | <u>2019</u>              | <u>2018</u>              |
|--|--------------------------|--------------------------|
| Net Change in Fund Balances-Total Governmental Funds   | \$ 5,103,482             | \$ 404,664               |
| Amounts reported for governmental activities in the statement of activities are different because:   |                          |                          |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.  |                          |                          |
| Capital Outlays  | 5,281,547                | 1,370,050                |
| Gain (Loss) on Disposal of Capital Assets  | (613,763)                | -                        |
| Capital Assets Contributed to Business-Type Funds  | -                        | -                        |
| Proceeds from Sales of Capital Assets  | -                        | -                        |
| Depreciation Expense   | (3,933,612)              | (3,938,040)              |
| Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.  |                          |                          |
| Capital Lease Proceeds   | (1,108,750)              | (64,540)                 |
| Principal Payments for Capital Leases  | 378,783                  | 329,402                  |
| The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of bond premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect on these differences in the treatment of general obligation bonds and related items is as follows: |                          |                          |
| General Obligation Bond Proceeds   | (9,559,700)              | -                        |
| Payment to Refunded Bond Escrow Agent  | 3,045,000                | -                        |
| Bond Discount/Premium  | (951,507)                | -                        |
| Repayment of Bond Principal and Note Payable   | 5,528,847                | 2,332,678                |
| Change in Accrued Interest Expense for General Obligation Bonds  | (107,797)                | 15,798                   |
| Amortization of Refunding Loss on Bonds  | (4,670)                  | (4,669)                  |
| Amortization of Refunding Gain on Bonds  | (12,769)                 | -                        |
| Amortization of Bond Premium   | 133,792                  | 47,481                   |
| Change in delinquent and noncurrent property taxes, special assessments receivable, and other receivables will be collected subsequent to year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are deferred in the governmental funds.   | (2,213,400)              | (253,744)                |
| Pension expenditures on the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflow and outflow of resources.  | (41,514)                 | (43,845)                 |
| OPEB expenses reported in the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds.  | (30,636)                 | (35,235)                 |
| In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).   | 14,103                   | (26,288)                 |
| Change in Net Position of Governmental Activities  | <u><u>\$ 907,436</u></u> | <u><u>\$ 133,712</u></u> |

See accompanying Notes to the Basic Financial Statements.

**CITY OF BUFFALO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**  
**(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2018)**

| <b>ASSETS</b>   | <b>2019</b>     |                            |
|---|-----------------|----------------------------|
|   | <b>Electric</b> | <b>Water and<br/>Sewer</b> |
| <b>CURRENT ASSETS</b>                                     |                 |                            |
| Cash and Cash Equivalents                                 | \$ 2,329,571    | \$ 1,123,455               |
| Cash and Investments with Fiscal Agent                    | 922,500         | -                          |
| Accounts Receivable, Net of Allowance                     | 1,350,813       | 1,112,932                  |
| Accrued Interest Receivable                               | 1,968           | -                          |
| Taxes Receivable:   |                 |                            |
| Delinquent  | -               | 4,468                      |
| Sewer and Water Hook-up Fees Receivable - Current Portion | -               | -                          |
| Due from Other Governments                                | 542             | 87,265                     |
| Inventory   | 1,304,673       | 8,335                      |
| Prepaid Expenses  | 37,444          | 31,182                     |
| Total Current Assets                                      | 5,947,511       | 2,367,637                  |
| <b>LONG-TERM ASSETS</b>                                   |                 |                            |
| Sewer and Water Hook-up Fees Receivable - Long-Term       | -               | 97,832                     |
| Advance to Other Funds                                    | 4,521,605       | 2,548,210                  |
| Capital Assets:   |                 |                            |
| Land, Buildings, Infrastructure, and Improvements         | 32,174,255      | 98,500,354                 |
| Equipment   | 7,362,731       | 1,741,117                  |
| Construction in Progress                                  | 18,333          | 2,308,612                  |
| Total Capital Assets                                      | 39,555,319      | 102,550,083                |
| Less: Allowance for Depreciation                          | (20,411,141)    | (41,175,982)               |
| Total Net Capital Assets                                  | 19,144,178      | 61,374,101                 |
| Total Long-Term Assets                                    | 23,665,783      | 64,020,143                 |
| Total Assets  | 29,613,294      | 66,387,780                 |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>                      |                 |                            |
| Refunding Loss on Bonds                                   | -               | 108,671                    |
| Pension Related   | 99,292          | 64,181                     |
| OPEB Related  | 2,025           | 1,287                      |
| Total Deferred Outflow of Resources                       | 101,317         | 174,139                    |
| Total Assets and Deferred Outflow of Resources            | \$ 29,714,611   | \$ 66,561,919              |

See accompanying Notes to the Basic Financial Statements.

| Liquor              | 2019                |                       | 2018                 |  |
|---------------------|---------------------|-----------------------|----------------------|--|
|                     | Golf<br>Course      | Total                 | Total                |  |
| \$ 202,207          | \$ -                | \$ 3,655,233          | \$ 4,331,761         |  |
| -                   | -                   | 922,500               | 922,500              |  |
| 3,238               | 4,523               | 2,471,506             | 2,176,053            |  |
| -                   | -                   | 1,968                 | -                    |  |
| 760                 | 1,818               | 7,046                 | 6,228                |  |
| -                   | -                   | -                     | 3,510                |  |
| 452                 | 1,809               | 90,068                | 8,466                |  |
| 827,599             | 52,361              | 2,192,968             | 1,625,067            |  |
| 9,694               | 7,188               | 85,508                | 67,591               |  |
| <u>1,043,950</u>    | <u>67,699</u>       | <u>9,426,797</u>      | <u>9,141,176</u>     |  |
| -                   | -                   | 97,832                | 77,363               |  |
| -                   | -                   | 7,069,815             | 5,864,853            |  |
| 2,036,817           | 3,890,084           | 136,601,510           | 134,669,892          |  |
| 494,274             | 1,193,736           | 10,791,858            | 10,168,889           |  |
| -                   | -                   | 2,326,945             | 944,347              |  |
| 2,531,091           | 5,083,820           | 149,720,313           | 145,783,128          |  |
| (1,097,985)         | (1,952,434)         | (64,637,542)          | (61,553,816)         |  |
| 1,433,106           | 3,131,386           | 85,082,771            | 84,229,312           |  |
| 1,433,106           | 3,131,386           | 92,250,418            | 90,171,528           |  |
| 2,477,056           | 3,199,085           | 101,677,215           | 99,312,704           |  |
| -                   | 80,666              | 189,337               | 243,452              |  |
| 33,978              | 40,397              | 237,848               | 396,451              |  |
| 629                 | 517                 | 4,458                 | 2,394                |  |
| <u>34,607</u>       | <u>121,580</u>      | <u>431,643</u>        | <u>642,297</u>       |  |
| <u>\$ 2,511,663</u> | <u>\$ 3,320,665</u> | <u>\$ 102,108,858</u> | <u>\$ 99,955,001</u> |  |

**CITY OF BUFFALO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**DECEMBER 31, 2019**  
**(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2018)**

| LIABILITIES   | 2019          |                    |
|---|---------------|--------------------|
|   | Electric      | Water and<br>Sewer |
| <b>CURRENT LIABILITIES</b>  |               |                    |
| Accounts and Contracts Payable                                    | \$ 932,888    | \$ 459,672         |
| Accrued Expenses  | 124,979       | 40,870             |
| Due to Other Governments  | 3,936         | 8,234              |
| Accrued Interest  | 92,718        | 473,294            |
| Unearned Revenue  | 1,640         | -                  |
| Compensated Absences - Current Portion                            | 86,969        | 67,752             |
| Capital Lease Obligation - Current Portion                        | 204,989       | 68,098             |
| Bonds Payable - Current Portion                                   | 955,000       | 3,316,020          |
| Total Current Liabilities   | 2,403,119     | 4,433,940          |
| <b>LONG-TERM LIABILITIES</b>                                      |               |                    |
| Escrow Deposits   | 1,200         | -                  |
| Advance From Other Funds  | -             | -                  |
| Compensated Absences - Long-Term                                  | 89,354        | 28,868             |
| Capital Lease Obligation - Long-Term                              | 241,546       | 76,727             |
| Bonds Payable - Long-Term   | 7,280,887     | 54,193,027         |
| Net Pension Liability   | 942,236       | 609,050            |
| OPEB Liability  | 98,500        | 62,593             |
| Total Long-Term Liabilities                                       | 8,653,723     | 54,970,265         |
| Total Liabilities   | 11,056,842    | 59,404,205         |
| <b>DEFERRED INFLOW OF RESOURCES</b>                               |               |                    |
| Refunding Gain on Bonds   | -             | 19,837             |
| Pension Related   | 179,229       | 115,852            |
| OPEB Related  | 2,783         | 1,768              |
| Total Deferred Inflow of Resources                                | 182,012       | 137,457            |
| <b>NET POSITION</b>   |               |                    |
| Net Investment in Capital Assets                                  | 12,791,334    | 4,049,941          |
| Unrestricted  | 5,684,423     | 2,970,316          |
| Total Net Position  | 18,475,757    | 7,020,257          |
| Total Liabilities, Deferred Inflow of Resources, and Net Position | \$ 29,714,611 | \$ 66,561,919      |

See accompanying Notes to Basic Financial Statements.

| Liquor       | 2019           |                | 2018          |  |
|--------------|----------------|----------------|---------------|--|
|              | Golf<br>Course | Total          | Total         |  |
| \$ 99,691    | \$ 40,329      | \$ 1,532,580   | \$ 1,243,394  |  |
| 82,907       | 27,999         | 276,755        | 241,755       |  |
| 2,848        | 2,752          | 17,770         | 8,895         |  |
| -            | 12,068         | 578,080        | 448,568       |  |
| -            | 37,865         | 39,505         | 24,793        |  |
| 18,036       | 24,370         | 197,127        | 186,514       |  |
| 11,409       | 54,568         | 339,064        | 515,884       |  |
| -            | 150,000        | 4,421,020      | 3,130,585     |  |
| 214,891      | 349,951        | 7,401,901      | 5,800,388     |  |
|              |                |                |               |  |
| -            | -              | 1,200          | -             |  |
| -            | 7,069,815      | 7,069,815      | 6,041,880     |  |
| 29,060       | 19,455         | 166,737        | 144,049       |  |
| 17,766       | 69,670         | 405,709        | 695,920       |  |
| -            | 2,716,872      | 64,190,786     | 68,572,425    |  |
| 322,438      | 383,343        | 2,257,067      | 2,045,065     |  |
| 36,136       | 19,655         | 216,884        | 200,429       |  |
| 405,400      | 10,278,810     | 74,308,198     | 77,699,768    |  |
|              |                |                |               |  |
| 620,291      | 10,628,761     | 81,710,099     | 83,500,156    |  |
|              |                |                |               |  |
| -            | -              | 19,837         | -             |  |
| 61,333       | 72,918         | 429,332        | 552,258       |  |
| 866          | 710            | 6,127          | -             |  |
| 62,199       | 73,628         | 455,296        | 552,258       |  |
|              |                |                |               |  |
| 1,403,931    | 198,140        | 18,443,346     | 13,849,617    |  |
| 425,242      | (7,579,864)    | 1,500,117      | 2,052,970     |  |
| 1,829,173    | (7,381,724)    | 19,943,463     | 15,902,587    |  |
| \$ 2,511,663 | \$ 3,320,665   | \$ 102,108,858 | \$ 99,955,001 |  |

**CITY OF BUFFALO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED DECEMBER 31, 2019**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)**

|   | 2019                        |                            |
|---|-----------------------------|----------------------------|
|   | Electric                    | Water and<br>Sewer         |
| <b>GROSS PROFIT AND OPERATING REVENUES</b>              |                             |                            |
| Sales   | \$ -                        | \$ -                       |
| Costs of Goods Sold                                     | - -                         | - -                        |
| Charges for Services                                    | <u>14,864,350</u>           | <u>7,392,502</u>           |
| Total Gross Profit and Operating Revenues               | <u>14,864,350</u>           | <u>7,392,502</u>           |
| <b>OPERATING EXPENSES</b>                               |                             |                            |
| Cost of Sales and Services                              | 9,873,840                   | 1,769,976                  |
| Compensation and Employee Benefits                      | 1,719,920                   | 1,048,707                  |
| Depreciation  | <u>1,363,696</u>            | <u>2,076,888</u>           |
| Total Operating Expenses                                | <u>12,957,456</u>           | <u>4,895,571</u>           |
| <b>OPERATING INCOME (LOSS)</b>                          | 1,906,894                   | 2,496,931                  |
| <b>OTHER INCOME (EXPENSE)</b>                           |                             |                            |
| Interest Income (Loss)                                  | 35,209                      | 11,487                     |
| Interest Expense  | (226,961)                   | (2,076,007)                |
| Taxes and Special Assessments                           | 1                           | 501,909                    |
| Intergovernmental Revenues                              | 2,693                       | 1,741                      |
| Access Fees   | 24,000                      | 1,981,568                  |
| Refunds and Reimbursements                              | 82,039                      | -                          |
| Miscellaneous Revenue                                   | 6,038                       | 10,971                     |
| Insurance Recovery                                      | -                           | 308,964                    |
| Total Other Income (Expense)                            | <u>(76,981)</u>             | <u>740,633</u>             |
| <b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b> | 1,829,913                   | 3,237,564                  |
| <b>CONTRIBUTIONS AND TRANSFERS</b>                      |                             |                            |
| Transfers Out   | (1,000,000)                 | -                          |
| Capital Contributions                                   | -                           | -                          |
| Total Contributions and Transfers                       | <u>(1,000,000)</u>          | <u>-</u>                   |
| <b>CHANGE IN NET POSITION</b>                           | 829,913                     | 3,237,564                  |
| Net Position - Beginning of Year                        | 17,336,474                  | 3,782,693                  |
| Correction of an Error                                  | 309,370                     | -                          |
| Change in Accounting Principle                          | -                           | -                          |
| Net Position - Beginning of Year, as Restated           | <u>17,645,844</u>           | <u>3,782,693</u>           |
| <b>NET POSITION - END OF YEAR</b>                       | <u><u>\$ 18,475,757</u></u> | <u><u>\$ 7,020,257</u></u> |

See accompanying Notes to Basic Financial Statements.

| Liquor   | 2019   |  | 2018  |
|--|--|--|---|
|  | Golf<br>Course   | Total  | Total   |
| \$ 5,632,510<br>(4,105,425)<br>-                                   | \$ 65,802<br>(43,567)<br>1,102,170   | \$ 5,698,312<br>(4,148,992)<br>23,359,022  | \$ 5,436,720<br>(3,906,673)<br>22,882,686   |
| 1,527,085  | 1,124,405  | 24,908,342   | 24,412,733  |
| 311,124<br>515,848<br>57,963<br>884,935                            | 640,330<br>1,039,574<br>144,875<br>1,824,779                                 | 12,595,270<br>4,324,049<br>3,643,422<br>20,562,741   | 12,948,432<br>3,397,579<br>3,732,332<br>20,078,343  |
| 642,150  | (700,374)  | 4,345,601  | 4,334,390   |
| 822<br>(1,657)<br>55,736<br>922<br>-<br>-<br>17,658<br>-<br>73,481 | (30,424)<br>(80,220)<br>232,011<br>1,096<br>-<br>91<br>1,218<br>-<br>123,772 | 17,094<br>(2,384,845)<br>789,657<br>6,452<br>2,005,568<br>82,130<br>35,885<br>308,964<br>860,905 | 6,669<br>(2,301,620)<br>1,147,728<br>17,398<br>579,907<br>109,643<br>24,994<br>-<br>(415,281) |
| 715,631  | (576,602)  | 5,206,506  | 3,919,109   |
| (475,000)<br>-   | -<br>-   | (1,475,000)<br>-   | (1,395,000)<br>11,567   |
| <u>(475,000)</u>   | <u>-</u>   | <u>(1,475,000)</u>   | <u>(1,383,433)</u>  |
| 240,631<br>1,588,542<br>-<br>-<br>1,588,542                        | (576,602)<br>(6,805,122)<br>-<br>-<br>(6,805,122)                            | 3,731,506<br>15,902,587<br>309,370<br>-<br>16,211,957  | 2,535,676<br>13,541,345<br>-<br>(174,434)<br>13,366,911                                       |
| <u>\$ 1,829,173</u>  | <u>\$ (7,381,724)</u>  | <u>\$ 19,943,463</u>   | <u>\$ 15,902,587</u>  |

**CITY OF BUFFALO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2019**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)**

|   | 2019                       |                            |
|---|----------------------------|----------------------------|
|   | Electric                   | Water and<br>Sewer         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                     |                            |                            |
| Cash Received from Customers and Service Users                                  | \$ 14,966,039              | \$ 7,003,063               |
| Cash Paid to Suppliers  | (10,332,291)               | (1,669,199)                |
| Cash Paid to Employees  | (1,551,226)                | (1,071,475)                |
| Net Cash Provided (Used) by Operating Activities                                | <u>3,082,522</u>           | <u>4,262,389</u>           |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                          |                            |                            |
| Interfund Borrowing/Transfers   | (1,000,000)                | -                          |
| Interfund Note Receivable   | -                          | -                          |
| Advance To/From Other Funds   | 122,184                    | (1,327,146)                |
| Property Tax Receipts   | (540)                      | 499,996                    |
| Water and Sewer Hook-up Fee Receipts  | -                          | -                          |
| Miscellaneous Receipts  | 88,077                     | 24,096                     |
| Intergovernmental Receipts  | 2,693                      | 1,741                      |
| Net Cash Provided (Used) by Noncapital Financing Activities                     | <u>(787,586)</u>           | <u>(801,313)</u>           |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                 |                            |                            |
| Proceeds from Bonds   | -                          | 9,405,300                  |
| Proceeds from Bond Premium  | -                          | 838,284                    |
| Access Fees   | 24,000                     | 1,884,837                  |
| Insurance Proceeds  | -                          | 451,609                    |
| Acquisition and Construction of Capital Assets                                  | (1,383,132)                | (2,130,339)                |
| Interest Paid on Bonds  | (232,816)                  | (4,655,191)                |
| Interest Paid on Capital Lease Obligations                                      | (15,881)                   | (4,593)                    |
| Proceeds from Capital Lease   | -                          | -                          |
| Principal Payments on Capital Lease Obligation                                  | (243,173)                  | (110,214)                  |
| Principal Payments on Bonds   | (760,000)                  | (9,623,716)                |
| Net Cash Used by Capital and Related Financing Activities                       | <u>(2,611,002)</u>         | <u>(3,944,023)</u>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                     |                            |                            |
| Investment Income (Loss)  | <u>33,241</u>              | <u>11,487</u>              |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                     |                            |                            |
| Cash and Cash Equivalents - Beginning of Year                                   | <u>3,534,896</u>           | <u>1,594,915</u>           |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                                  | <b><u>\$ 3,252,071</u></b> | <b><u>\$ 1,123,455</u></b> |
| <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION</b> |                            |                            |
| Cash  | \$ 2,329,571               | \$ 1,123,455               |
| Cash and Investments with Fiscal Agent  | 922,500                    | -                          |
| Total Cash and Cash Equivalents   | <u>\$ 3,252,071</u>        | <u>\$ 1,123,455</u>        |
| <b>NONCASH TRANSACTIONS</b>   |                            |                            |
| Capital Lease Proceeds  | \$ -                       | \$ -                       |
| Capital Contributed to Governmental Activities                                  | -                          | -                          |
| Interest Accretion on Capital Appreciation Bonds                                | -                          | 152,816                    |
| Amortization of Premiums and Refunding Loss                                     | (14,290)                   | (179,683)                  |
| Total Noncash Investing, Capital, and Financing Activities                      | <u>\$ (14,290)</u>         | <u>\$ (26,867)</u>         |

See accompanying Notes to Basic Financial Statements.



**CITY OF BUFFALO, MINNESOTA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)**

|   | 2019         |                    |
|---|--------------|--------------------|
|   | Electric     | Water and<br>Sewer |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>  |              |                    |
| Operating Income (Loss)   | \$ 1,906,894 | \$ 2,496,931       |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: |              |                    |
| Depreciation  | 1,363,696    | 2,076,888          |
| Changes in Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources:        |              |                    |
| (Increase) Decrease in Accounts Receivable  | 98,849       | (397,473)          |
| (Increase) Decrease in Prepaid Items  | (13,127)     | (1,731)            |
| (Increase) Decrease in Inventory  | (411,422)    | -                  |
| (Increase) Decrease in Deferred Outflow of Resources - Pension  | 62,454       | 60,398             |
| (Increase) Decrease in Deferred Outflow of Resources - OPEB   | (938)        | (596)              |
| Increase (Decrease) in Accounts and Contracts Payable   | (33,474)     | 97,704             |
| Increase (Decrease) in Accrued Expenses   | 15,546       | 4,804              |
| Increase (Decrease) in Due to Other Governments   | (428)        | 8,034              |
| Increase (Decrease) in Unearned Revenue   | 1,640        | -                  |
| Increase (Decrease) in Escrow Deposits  | 1,200        | -                  |
| Increase (Decrease) in Net Pension Liability  | 107,878      | (33,583)           |
| Increase (Decrease) in OPEB Liability   | 7,473        | 4,749              |
| Increase (Decrease) in Deferred Inflow of Resources - Pension   | (46,084)     | (57,688)           |
| Increase (Decrease) in Deferred Inflow of Resources - OPEB  | 2,783        | 1,768              |
| Increase (Decrease) in Accrued Compensated Absences   | 19,582       | 2,184              |
| Net Cash Provided (Used) by Operating Activities  | \$ 3,082,522 | \$ 4,262,389       |

See accompanying Notes to Basic Financial Statements.

| Liquor            | 2019                |                     | 2018                |
|-------------------|---------------------|---------------------|---------------------|
|                   | Golf<br>Course      | Total               | Total               |
| \$ 642,150        | \$ (700,374)        | \$ 4,345,601        | \$ 4,334,390        |
| 57,963            | 144,875             | 3,643,422           | 3,732,332           |
| 719               | 2,452               | (295,453)           | (397,931)           |
| (884)             | (2,175)             | (17,917)            | (3,858)             |
| (133,413)         | (23,066)            | (567,901)           | (11,298)            |
| 38,980            | (3,229)             | 158,603             | 263,427             |
| (225)             | (305)               | (2,064)             | (2,394)             |
| 29,765            | 1,782               | 95,777              | 194,745             |
| 2,575             | 12,075              | 35,000              | 18,542              |
| 4                 | 1,265               | 8,875               | (5,933)             |
| -                 | 13,072              | 14,712              | (3,761)             |
| -                 | -                   | 1,200               | -                   |
| (53,911)          | 191,618             | 212,002             | (369,083)           |
| 2,325             | 1,908               | 16,455              | 25,995              |
| (40,298)          | 21,144              | (122,926)           | 54,550              |
| 866               | 710                 | 6,127               | -                   |
| (3,159)           | 14,694              | 33,301              | 19,176              |
| <b>\$ 543,457</b> | <b>\$ (323,554)</b> | <b>\$ 7,564,814</b> | <b>\$ 7,848,899</b> |

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## **NOTES TO BASIC FINANCIAL STATEMENTS**



**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Buffalo (the City), located in Wright County in Minnesota, conforms to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies.

**A. Financial Reporting Entity**

As required by GAAP, the financial statements of the reporting entity include those of the City and its component unit. A component unit is a legally separate entity for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component include whether or not the primary government appoints the voting majority of the potential component unit's board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

The Housing and Redevelopment Authority (HRA) of Buffalo is an entity legally separate from the City. However, for financial reporting purposes, the HRA is reported as if it were part of the City's operations (blended component unit) because the HRA provides services primarily to the City and the City council appoints the commission board members.

**B. Basic Financial Statements**

**1. Government-Wide Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall City government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Basic Financial Statements (Continued)

**1. Government-Wide Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**2. Fund Financial Statements**

The fund financial statements provide information about the City's funds, including its blended component unit. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds. The City reports all proprietary funds as major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

The City reports the following major governmental funds:

**General Fund**

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

**Debt Service Fund**

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, interest, principal, and related costs on general long-term debt.

**Capital Project Fund**

The Capital Project Fund accounts for financial resources to be used for acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Basic Financial Statements (Continued)

**2. Fund Financial Statements (Continued)**

**HRA Debt Service Fund**

The HRA Debt Service Fund accounts for the accumulation of resources for, and the payment of, interest, principal, and related costs on general long-term debt for the HRA.

The City reports the following major proprietary funds:

**Electric Fund**

The Electric Fund accounts for customer electric service charges that are used to finance electric operating expenses.

**Water and Sewer Fund**

The Water and Sewer Fund accounts for customer water and sewer service charges which are used to finance water and sewer operating expenses.

**Liquor Fund**

The Liquor Fund accounts for customer sales that are used to finance liquor store operating expenses and provide funds for general operations of the City.

**Golf Course Fund**

The Golf Course Fund accounts for customer sales that are used to finance golf course operating expenses.

C. Measurement Focus and Basis of Accounting

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

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting (Continued)**

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. The City considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise 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 in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

All proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. 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 revenues of the City's electric, water and sewer, liquor stores and golf course funds are charges to customers for sales and services. Operating expenses for these funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Budgets**

Annual appropriation budgets are adopted for the following funds: General, Fire, Library, Airport, and Civic Center.

The General Fund budget does not include activity related to the community center or parks. Therefore, the budgetary basis for the General Fund differs from GAAP. Budgets for the Fire, Library, Airport, and Civic Center are adopted on a basis consistent with GAAP.

Budgeted amounts are reported as originally adopted, or as amended by the City council. Budgeted expenditure appropriations lapse at year-end.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Budgets (Continued)**

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

1. Prior to September 1, the administrator submits to the City council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments, and the final tax levy and budget are adopted.
3. The City administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City council.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and some enterprise funds. Formal budgetary integration is not employed for the capital projects and debt service funds.
5. Budgets are adopted on a basis consistent with GAAP except for the General Fund, as previously described, and enterprise funds where capital expenditures are budgeted for as an operating expense. Budgeted amounts presented are as originally adopted. The City does not budget for some special revenue funds that have minimal transactions nor is an annual budget prepared for the HRA.

**E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances**

**1. Cash and Investments**

Cash and investment balances from all funds are combined and invested to the extent available in certificates of deposits and other allowable investments. Earnings from investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Short-term highly liquid debt instruments (including commercial paper, bankers' acceptances and U.S. Treasury and Agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances (Continued)

**2. Property Tax Revenue Recognition**

Property tax levies are set by the City council in December of each year, and are certified to the county auditor for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Such taxes become a lien on property on January 1 and are recorded as receivables by the City at that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The county provides tax settlements to cities and other taxing entities three times a year.

Within the governmental fund financial statements, the City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. Taxes which remain unpaid at December 31 are classified as delinquent and are not recognized as revenue in the governmental fund financial statements because they are not known to be available to finance current expenditures. The portion of delinquent taxes not collected by the City in January is fully offset by deferred inflows of resources in the governmental funds because it is not available to finance current expenditures. No allowances for uncollectible taxes have been provided because such amounts are not expected to be material. Property tax revenue in governmental activities is susceptible to full accrual on the government-wide statements.

**3. Special Assessment Revenue Recognition**

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with state statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the county auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Within the fund financial statements, the revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year.

Special assessments are collected by the county and remitted by December 31 (remitted to the City the following January) and are also recognized as revenue for the current year. All remaining delinquent assessments receivable in governmental funds are completely offset by deferred inflows of resources. Special assessment revenue in governmental activities is susceptible to full accrual on the government-wide statements.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances (Continued)

**3. Special Assessment Revenue Recognition (Continued)**

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale and the first proceeds of that sale (after costs, penalties, and expenses of sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by City council or court action. Pursuant to state statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural, or seasonal recreational land in which event the property is subject to such sale after five years.

**4. Utility Billing**

The City bills customers monthly for the following utility services: electric, sewer and water, sanitation, recycling, storm sewer, and internet. The City bills and recognizes the electric, sewer and water services revenue at mid-month, when the meters are read.

**5. Inventories**

Materials and supplies, if material, are recorded at original cost and are reported under the consumption method in the Governmental Funds. Inventories in the City's utility funds and liquor store funds are reflected at average cost.

**6. Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables are classified as "due from other funds", "interfund lease receivable", "interfund note receivable", or "advances to other funds" on the balance sheets of the fund financial statements.

**7. Loans Receivable and Allowance for Uncollectible Accounts**

The City records loans receivable for a revolving loan program that assists residents in the rehabilitation of homes. Also, the HRA issues loans to local businesses. An allowance for uncollectible accounts is established with City management believes that some portion of the receivable will not be collected. The City estimates the allowance based on the specific identification method. The estimated allowance as of December 31, 2019 for the estimated allowance for the revolving loan program is \$100,669.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances (Continued)

**8. Property Held for Resale**

These assets are recorded at the lower of original cost or current net realizable value in the governmental fund, which purchased them.

**9. Capital Assets**

Capital assets are capitalized at historical cost, estimated historical cost, or in the case of contributions, at their estimated acquisition value at the time received. In the case of the initial capitalization of infrastructure, the City retroactively implemented the reporting of this item when GASB 34 was implemented. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed as incurred. Capital assets are defined by the City as assets with an original unit cost over \$5,000 and an estimated useful life in excess of two years.

Capital assets related to general governmental activities are recorded in the government-wide statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are normally sold for an immaterial amount when declared as no longer needed for City purposes, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 5 to 10 years for office furnishings, office and computer equipment, vehicles and large equipment; 20 to 50 years for infrastructure and 40 to 50 years for buildings and plants. Capital assets not being depreciated include land and construction in progress.

Property, plant, and equipment used by proprietary funds are stated at cost or estimated historical cost. Contributed capital assets are recorded at estimated acquisition value at the time received.

**10. Compensated Absences**

Vacation

City employees earn vacation days based upon the number of completed years of service. The City compensates employees for unused vacation upon termination of employment. Accordingly, the expenditure for vacation is recognized as it is used in the governmental funds and is recognized as it is earned in the proprietary funds. Accrued vacation (unused) is recorded in the proprietary fund level statements and in the government-wide statements as compensated absences.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances (Continued)

**10. Compensated Absences (Continued)**

Sick Leave

Employees are entitled to paid sick leave at various rates for each month of full-time service. Sick pay is recorded as an expenditure when payment is made.

Severance

Regular employees who retire from active service receive pay for a percentage of their unused sick leave as severance. The percentage of sick leave varies from 25% to 40% based on years of service. The estimated severance liability is recorded in the fund level statements of the proprietary funds as compensated absences payable and in the government-wide financial statements as a component of long-term debt.

**11. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bond issue costs are expensed in the year of issuance.

In the governmental fund financial statements, bond premiums, and discounts, as well as bond issue costs are recognized during the current period. The face amount of the debt issue is reported as other financing source. Premiums and discounts received on debt issuances are reported as other financing sources and uses, respectively. Bond issuance costs are reported as debt service expenditures.

**12. Pension Asset/Liability**

For purposes of measuring the net pension asset, the net pension liability, deferred outflow/inflow of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and Buffalo Firefighters Relief Association plans (FRA), and additions to/deductions from PERA's and the FRA's fiduciary net position have been determined on the same basis as they are reported by PERA and the FRA. For this purpose, plan contributions and benefit payments (including refunds of 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.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances (Continued)

**13. OPEB**

For purposes of measuring the OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the City's Retiree Benefits Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognized benefit payments when due and payable in accordance with the benefit terms.

**14. Deferred Outflow of Resources**

The City's governmental activities and proprietary fund financial statements report a separate section for deferred outflow of resources. This separate financial statement element reflects a decrease in net position or fund balance, that relate to future periods. The City will not recognize the related outflow until a future event occurs. More detailed information about pension related deferred outflow of resources and OPEB related deferred outflows of resources can be found in Note 6 and Note 8, respectively, to the financial statements.

**15. Deferred Inflow of Resources**

The City's financial statements report a separate section for deferred inflow of resources. This separate financial statement element reflects an increase in fund balance/net position that applies to a future period. The City will not recognize the related revenue until a future event occurs. The City has three types of items which are reported as deferred inflow of resources. The first type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected later than 60 days after the end of the City's year) under the modified accrual basis of accounting. The second type of deferred inflow of resources relate to pension liabilities and OPEB liabilities, when applicable, as described in Note 6 and Note 8, respectively, to the financial statements. The third type of deferred inflow of resources relate to refunding of bonds.

**16. Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses made on behalf of another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

All interfund transactions are eliminated except for activity between governmental activities and business-type activities for presentation in the government-wide statements of net position and statements of activities.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances (Continued)

**17. Net Position**

In the government-wide financial statements and in the proprietary fund level statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets is separately reported because the City reports all capital assets which make up a significant portion of total net position. Restricted net position accounts for the portion of net position restricted by parties outside the City. Unrestricted net position is the remaining net position not included in the previous two categories.

**18. Fund Balance**

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable and spendable fund balances. Spendable fund balances include restricted, committed, assigned and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as inventories, or are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The committed fund balances are self-imposed limitations approved by the City council by formal action (resolution), which is the highest level of decision-making authority within the City. Only the City council can remove or change the constraints placed on committed fund balances, through formal action.

Assigned fund balances are resources constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City council has authorized the City administrator and the assistant administrator for business and operations to make assignments of resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Fund Balances (Continued)

**18. Fund Balance (Continued)**

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it's the City's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the City's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

**NOTE 2 DEPOSITS AND INVESTMENTS**

The cash balances of substantially all funds are pooled by the City for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2019, based on market prices. Investment earnings on cash and pooled investments are credited to all funds based on their cash balances each month. In addition, some funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2019 were \$130,202.

**A. Deposits and Investments**

In accordance with applicable Minnesota state statutes, the City maintains deposits at financial institutions authorized by the City council. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledge must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral includes: U.S. government treasury bills, notes, and or bonds; securities issued by a U.S. government agency; general obligations of local governments rated "A" or better; revenue obligations of a state or local governments rated "AA" or better; irrevocable standby letters of credit issue by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral to be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

Custodial Credit Risk – Deposits – In the case of deposits, custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City's deposit policy does not provide additional restrictions beyond Minnesota state statutes. At year-end, the carrying amount of the City's deposits was entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits and Investments (Continued)**

At December 31, 2019, the balance was fully insured and collateralized as required by Minnesota Statutes §118A.03.

Investments

Minnesota Statutes §§118A.04 and 118A.05 generally authorize the following types of investments as available to the City:

- a) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minnesota Statutes §118A.04 subd. 6;
- b) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- c) general obligations of the state of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- d) bankers' acceptances of United States banks;
- e) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and with certain restrictions, repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts. The deposits are presented in the financial statements as follows:

Credit Risk – Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City requires that commercial paper is rated A1/P1 or better, otherwise rating are not applicable.

| Investment Type                    | Credit Rating | Amount              |
|------------------------------------|---------------|---------------------|
| Money Market                       | Not Rated     | \$ 5,776,043        |
| Negotiable Certificates of Deposit | Not Rated     | 2,204,655           |
| <b>Total</b>                       |               | <b>\$ 7,980,698</b> |

Concentration of Credit Risk – The City places a limit on the amount that the City may invest in commercial paper to \$500,000 and brokered certificates of deposits to \$250,000. The City had no investments at December 31, 2019 which individually comprised more than 5% of total investments.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits and Investments (Continued)**

**Interest Rate Risk** – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity of its fair value to changes in market interest rates. The City's investment policy limits the maturities of investments to 10 years for U.S. Treasuries, federal agencies, and brokered certificates of deposit. The City limits the maturities to 270 days for commercial paper.

| Investment Type                    | Total               | 12 Months or Less   | 13 to 24 Months | 25 to 60 Months |
|------------------------------------|---------------------|---------------------|-----------------|-----------------|
| Money Market                       | \$ 5,776,043        | \$ 5,776,043        | \$ -            | \$ -            |
| Negotiable Certificates of Deposit | 2,204,655           | 2,204,655           | -               | -               |
| <b>Total</b>                       | <b>\$ 7,980,698</b> | <b>\$ 7,980,698</b> | <b>\$ -</b>     | <b>\$ -</b>     |

The deposits and investments are presented in these financial statements:

|  |                      |
|--|----------------------|
| Deposits                               | \$ 11,327,523        |
| Investments                            | 7,980,698            |
| <b>Total Cash and Cash Equivalents</b> | <b>\$ 19,308,221</b> |
|  |                      |
| Cash and Cash Equivalents              | \$ 18,385,721        |
| Cash and Investments with Fiscal Agent | 922,500              |
| <b>Total Cash and Cash Equivalents</b> | <b>\$ 19,308,221</b> |
|  |                      |
| Governmental Activities                | \$ 14,730,488        |
| Business-Type Activities               | 4,577,733            |
| <b>Total Cash and Cash Equivalents</b> | <b>\$ 19,308,221</b> |

The City uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits and Investments (Continued)**

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

- Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. These inputs include bonds valued by a pricing service that uses matrix pricing and valuation multiples.
- Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

Assets measured at fair value on a recurring basis:

| Investment Type                    | Total        | Level 1 | Level 2      | Level 3 |
|------------------------------------|--------------|---------|--------------|---------|
| Negotiable Certificates of Deposit | \$ 2,204,655 | \$ -    | \$ 2,204,655 | \$ -    |

Negotiable certificates of deposit are valued using a matrix pricing based on the securities' relationship to benchmark quoted prices.

**NOTE 3 LEASE RECEIVABLE**

On April 1, 2015, the City entered into a lease and purchase option agreement with the Trailblazer Joint Powers Board for the purchase and construction of a new transportation facility. The Trailblazer Joint Powers Board will make monthly payments ranging from \$18,378 to \$18,463 to the City in order to meet the annual debt requirements on the 2015C bonds issued by the City. These monthly payments began upon completion of the facility during 2016. In 2019, the County terminated the lease and purchased the transit facility for \$3,103,347. The proceeds were used to defease the 2015C bonds.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 4 CAPITAL ASSETS**

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

|  | Beginning<br>Balance        | Increases                  | Decreases                    | Transfers          | Ending<br>Balance           |
|--|-----------------------------|----------------------------|------------------------------|--------------------|-----------------------------|
| <b>Governmental Activities:</b>              |                             |                            |                              |                    |                             |
| Capital Assets, Not Being Depreciated:       |                             |                            |                              |                    |                             |
| Land   | \$ 4,313,571                | \$ -                       | \$ (428,844)                 | \$ (1,105,388)     | \$ 2,779,339                |
| Construction in Progress                     | 2,136,439                   | 2,599,015                  | (1,695,472)                  | 1,105,388          | 4,145,370                   |
| Total Capital Assets, Not Being Depreciated  | <u>6,450,010</u>            | <u>2,599,015</u>           | <u>(2,124,316)</u>           | <u>-</u>           | <u>6,924,709</u>            |
| Capital Assets, Being Depreciated:           |                             |                            |                              |                    |                             |
| Land Improvements                            | 15,891,701                  | 186,772                    | (198,175)                    | -                  | 15,880,298                  |
| Buildings and Building Improvements          | 17,571,532                  | 136,201                    | (17,859)                     | -                  | 17,689,874                  |
| Improvements Other than Buildings            | 3,661,253                   | -                          | (26,415)                     | -                  | 3,634,838                   |
| Vehicles                                     | 3,809,750                   | 1,053,284                  | (131,978)                    | -                  | 4,731,056                   |
| Equipment                                    | 6,294,549                   | 550,966                    | (338,422)                    | -                  | 6,507,093                   |
| Infrastructure                               | 81,029,246                  | 2,450,781                  | -                            | -                  | 83,480,027                  |
| Total Capital Assets, Being Depreciated      | <u>128,258,031</u>          | <u>4,378,004</u>           | <u>(712,849)</u>             | <u>-</u>           | <u>131,923,186</u>          |
| Accumulated Depreciation for:                |                             |                            |                              |                    |                             |
| Land Improvements                            | (7,393,082)                 | (664,438)                  | 13,256                       | -                  | (8,044,264)                 |
| Buildings and Building Improvements          | (8,451,941)                 | (431,549)                  | 17,859                       | -                  | (8,865,631)                 |
| Improvements Other than Buildings            | (2,004,320)                 | (161,800)                  | 26,415                       | -                  | (2,139,705)                 |
| Vehicles                                     | (2,640,043)                 | (250,707)                  | 131,978                      | -                  | (2,758,772)                 |
| Equipment                                    | (5,286,834)                 | (264,144)                  | 338,422                      | -                  | (5,212,556)                 |
| Infrastructure                               | (59,760,595)                | (2,160,974)                | -                            | -                  | (61,921,569)                |
| Total Accumulated Depreciation               | <u>(85,536,815)</u>         | <u>(3,933,612)</u>         | <u>527,930</u>               | <u>-</u>           | <u>(88,942,497)</u>         |
| Total Capital Assets, Being Depreciated, Net | <u>42,721,216</u>           | <u>444,392</u>             | <u>(184,919)</u>             | <u>-</u>           | <u>42,980,689</u>           |
| Governmental Activities Capital Assets, Net  | <u><u>\$ 49,171,226</u></u> | <u><u>\$ 3,043,407</u></u> | <u><u>\$ (2,309,235)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 49,905,398</u></u> |

Depreciation expense was charged to governmental functions as follows:

**Governmental Activities:**

|   |                            |
|---|----------------------------|
| General Government                                  | \$ 78,379                  |
| Public Safety                                       | 307,235                    |
| Public Works  | 2,723,467                  |
| Parks, Culture and Recreation                       | 824,531                    |
| Total Depreciation Expense, Governmental Activities | <u><u>\$ 3,933,612</u></u> |

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

|  | Beginning<br>Balance<br>as<br>Restated | Increases           | Decreases           | Transfers          | Ending Balance       |
|--|--|---------------------|---------------------|--------------------|----------------------|
| <b>Business-Type Activities:</b>             |  |                     |                     |                    |                      |
| Capital Assets, Not Being Depreciated:       |  |                     |                     |                    |                      |
| Land and Intangible Assets                   | \$ 2,636,955                           | \$ 258,464          | \$ -                | \$ 2,934,515       | \$ 5,829,934         |
| Construction in Progress                     | 944,347                                | 1,954,407           | (571,809)           | -                  | 2,326,945            |
| Total Capital Assets, Not Being Depreciated  | <u>3,581,302</u>                       | <u>2,212,871</u>    | <u>(571,809)</u>    | <u>2,934,515</u>   | <u>8,156,879</u>     |
| Capital Assets, Being Depreciated:           |  |                     |                     |                    |                      |
| Land Improvements                            | 2,682,717                              | 564,955             | -                   | -                  | 3,247,672            |
| Buildings and Building Improvements          | 50,185,460                             | 117,245             | (283,908)           | -                  | 50,018,797           |
| Utility Distributions Systems                | 79,164,760                             | 1,290,610           | (15,750)            | (2,934,515)        | 77,505,105           |
| Machinery and Shop Equipment                 | 10,168,889                             | 729,409             | (106,438)           | -                  | 10,791,860           |
| Total Capital Assets, Being Depreciated      | <u>142,201,826</u>                     | <u>2,702,219</u>    | <u>(406,096)</u>    | <u>(2,934,515)</u> | <u>141,563,434</u>   |
| Accumulated Depreciation for:                |  |                     |                     |                    |                      |
| Land Improvements                            | (1,276,038)                            | (68,341)            | -                   | -                  | (1,344,379)          |
| Buildings and Building Improvements          | (20,858,326)                           | (1,082,822)         | 141,263             | -                  | (21,799,885)         |
| Utility Distributions Systems                | (32,021,767)                           | (1,965,282)         | 2,625               | -                  | (33,984,424)         |
| Machinery and Shop Equipment                 | (7,088,315)                            | (526,977)           | 106,438             | -                  | (7,508,854)          |
| Total Accumulated Depreciation               | <u>(61,244,446)</u>                    | <u>(3,643,422)</u>  | <u>250,326</u>      | <u>-</u>           | <u>(64,637,542)</u>  |
| Total Capital Assets, Being Depreciated, Net | <u>80,957,380</u>                      | <u>(941,203)</u>    | <u>(155,770)</u>    | <u>(2,934,515)</u> | <u>76,925,892</u>    |
| Business-Type Activities Capital Assets, Net | <u>\$ 84,538,682</u>                   | <u>\$ 1,271,668</u> | <u>\$ (727,579)</u> | <u>\$ -</u>        | <u>\$ 85,082,771</u> |

Depreciation expense was charged to business-type activities as follows:

**Business-Type Activities:**

|  |                     |
|--|---------------------|
| Electric Fund  | \$ 1,363,696        |
| Water and Sewer Fund                                 | 2,076,888           |
| Liquor Fund  | 57,963              |
| Golf Course Fund                                     | 144,875             |
| Total Depreciation Expense, Business-Type Activities | <u>\$ 3,643,422</u> |

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 5 CITY INDEBTEDNESS**

City indebtedness at December 31, 2019 is composed of the following:

| Description                                    | Initial<br>Amount<br>Issued | Maturity<br>Date | Interest<br>Rate | Outstanding<br>Principal |
|--|-----------------------------|------------------|------------------|--------------------------|
| <b>General Obligation Bonds:</b>               |                             |                  |                  |                          |
| Governmental Activities:                       |                             |                  |                  |                          |
| 2010 G.O. Refunding Bonds #2010C               | \$ 2,145,000                | 2028             | 2.00-3.80%       | \$ 1,260,000             |
| 2010 G.O. Bonds #2010C                         | 425,000                     | 2028             | 2.00-3.80        | 255,000                  |
| 2011 G.O. Capital Improvement Refunding #2011A | 5,925,000                   | 2024             | 0.40-3.15        | 3,245,000                |
| 2012 G.O. Refunding #2012B                     | 1,555,000                   | 2020             | 2.00             | 110,000                  |
| 2013 G.O. Bonds #2013A                         | 3,575,000                   | 2024             | 2.00             | 1,825,000                |
| 2013 G.O. Bonds #2013B                         | 585,000                     | 2028             | 3.00-3.40        | 375,000                  |
| 2015 G.O. Bonds #2015A                         | 4,045,000                   | 2031             | 2.00-3.00        | 3,365,000                |
| 2016 G.O. Street Reconstruction Bonds #2016C   | 2,565,000                   | 2032             | 2.00-2.75        | 2,265,000                |
| 2019 G.O. Bonds #2019B                         | 6,710,000                   | 2040             | 3.00-5.00        | 6,710,000                |
| 2019 G.O. Refunding Bonds #2019C               | 2,760,000                   | 2025             | 5.00             | 2,760,000                |
| Total Governmental Activities - G.O. Bonds     | 30,290,000                  |                  |                  | 22,170,000               |
| Business-Type Activities:                      |                             |                  |                  |                          |
| 2013 G.O. Equipment Certificates #2013A        | 1,455,000                   | 2022             | 2.00             | 735,000                  |
| 2013 G.O. Bonds #2013B                         | 440,000                     | 2028             | 3.00-3.40        | 285,000                  |
| 2019 G.O. Refunding Bonds #2019C               | 1,200,000                   | 2026             | 5.00             | 1,200,000                |
| Total Business-Type Activities - G.O. Bonds    | 3,095,000                   |                  |                  | 2,220,000                |
| Total General Obligation Bonds                 | <u>\$ 33,385,000</u>        |                  |                  | <u>\$ 24,390,000</u>     |
| <b>Tax Abatement Bonds:</b>                    |                             |                  |                  |                          |
| Governmental Activities:                       |                             |                  |                  |                          |
| 2012 G.O. Tax Abatement Bonds #2012C           | \$ 1,955,000                | 2033             | 0.65-3.20%       | \$ 1,525,000             |
| 2017 G.O. Tax Abatement Bonds #2017C           | 330,000                     | 2020             | 3.09             | 330,000                  |
| Total Tax Abatement Bonds                      | 2,285,000                   |                  |                  | 1,855,000                |
| Business-Type Activities:                      |                             |                  |                  |                          |
| 2016 G.O. Tax Abatement Bonds #2016A           | 3,250,000                   | 2035             | 2.00-3.15        | 2,845,000                |
| Total Tax Abatement Bonds:                     | <u>\$ 5,535,000</u>         |                  |                  | <u>\$ 4,700,000</u>      |

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 5 CITY INDEBTEDNESS (CONTINUED)**

| Description   | Initial<br>Amount<br>Issued | Maturity<br>Date | Net<br>Interest<br>Rate | Outstanding<br>Principal |
|---|-----------------------------|------------------|-------------------------|--------------------------|
| <b>Capital Lease Obligations:</b>                                 |                             |                  |                         |                          |
| Governmental Activities:  |                             |                  |                         |                          |
| 2015 Police, Street, Park, Civic Center Vehicles and Equipment    | \$ 149,624                  | 2020             | 1.51%                   | \$ 11,047                |
| 2016 Police, Parks, Street, Fire, Electric, Golf Course Equipment | 560,602                     | 2020             | 1.89                    | 48,659                   |
| 2016 Police, Parks, Electric, Water Equipment                     | 208,356                     | 2021             | 1.97                    | 85,806                   |
| 2017 Police, Parks Equipment                                      | 118,164                     | 2022             | 1.94                    | 58,590                   |
| 2018 Street Equipment   | 31,308                      | 2022             | 0.00                    | 20,599                   |
| 2018 Police Equipment   | 33,232                      | 2022             | 0.00                    | 25,234                   |
| 2019 Police, Fire Equipment                                       | 733,055                     | 2024             | 1.94                    | 631,780                  |
| 2019 Police, Street, Park Equipment                               | 375,695                     | 2024             | 2.21                    | 375,695                  |
| Total General Obligation Capital Lease Purchase Obligations       | <u>\$ 2,210,036</u>         |                  |                         | <u>\$ 1,257,410</u>      |
| <b>General Obligation Revenue Bonds:</b>                          |                             |                  |                         |                          |
| Business-Type Activities:   |                             |                  |                         |                          |
| 2010 Electric Revenue Bonds #2010B                                | \$ 955,000                  | 2021             | 2.50-3.70%              | \$ 380,000               |
| 2011 G.O. Water and Sewer Revenue Bonds, #2011B                   | 3,575,000                   | 2032             | 0.65-4.30               | 2,565,000                |
| 2012 G.O. Water and Sewer Revenue Bonds #2012A                    | 5,610,000                   | 2033             | 2.55-3.00               | 5,610,000                |
| 2014 G.O. Water and Sewer Revenue Refunding Bonds #2014A          | 30,860,000                  | 2028             | 3.00-4.00               | 28,275,000               |
| 2014 Electric Revenue Bonds #2014B                                | 1,880,000                   | 2025             | 2.75-3.00               | 1,795,000                |
| 2015 Electric Revenue Refunding Bonds #2015B                      | 1,185,000                   | 2022             | 2.00-2.15               | 555,000                  |
| 2016 Electric Revenue Bonds #2016B                                | 1,140,000                   | 2026             | 2.00-2.45               | 820,000                  |
| 2017 G.O. Wastewater Revenue Refunding Bonds #2017A               | 6,840,000                   | 2033             | 3.00-3.50               | 6,840,000                |
| 2017 G.O. Water and Sewer Revenue Bonds #2017B                    | 3,160,000                   | 2033             | 1.35-3.00               | 3,010,000                |
| 2018 Electric Revenue Bonds #2018A                                | 1,765,000                   | 2028             | 3.00                    | 1,600,000                |
| 2018 Electric Revenue Bonds #2018B                                | 2,300,000                   | 2029             | 3.00-3.25               | 2,300,000                |
| 2019 G.O. Water and Sewer Revenue Refunding Bonds #2019A          | 8,205,300                   | 2025             | 3.00-5.00               | 8,004,246                |
| Total Business-Type Activities Revenue Bonds                      | <u>67,475,300</u>           |                  |                         | <u>61,754,246</u>        |
| Governmental Activities:  |                             |                  |                         |                          |
| 2009 HRA Revenue Bond   | 178,000                     | 2020             | 4.82%                   | 21,000                   |
| 2011 Public Facility Lease Revenue Bonds #2011A                   | 2,865,000                   | 2027             | 0.65-4.60               | 1,590,000                |
| 2019 G.O. Water and Sewer Revenue Refunding Bonds #2019A          | 89,700                      | 2024             | 3.00-5.00               | 75,751                   |
| Total Governmental Activities Revenue Bonds                       | <u>3,132,700</u>            |                  |                         | <u>1,686,751</u>         |
| Total Revenue Bonds   | <u>\$ 70,608,000</u>        |                  |                         | <u>\$ 63,440,997</u>     |
| <b>Revenue Lease Purchase Obligations:</b>                        |                             |                  |                         |                          |
| Business-Type Activities:   |                             |                  |                         |                          |
| 2015 Wild Marsh, Water, and Wastewater Equipment                  | \$ 472,622                  | 2020             | 1.51%                   | \$ 34,900                |
| 2016 Electric, Golf Course Equipment                              | 290,897                     | 2020             | 1.89                    | 25,249                   |
| 2016 Electric, Water Equipment                                    | 375,436                     | 2021             | 1.97                    | 154,615                  |
| 2017 Electric, Water, Golf Equipment                              | 673,287                     | 2022             | 1.94                    | 333,837                  |
| 2018 Electric, Golf Equipment                                     | 92,948                      | 2022             | 0.00                    | 55,457                   |
| 2018 Liquor Store Equipment                                       | 45,769                      | 2022             | 0.00                    | 29,181                   |
| 2018 Water and Wastewater Equipment                               | 89,730                      | 2022             | 0.00                    | 62,689                   |
| 2019 Golf Course Equipment  | 48,845                      | 2024             | 2.21                    | 48,845                   |
| Total Revenue Lease Purchase Obligations                          | <u>\$ 2,089,534</u>         |                  |                         | <u>\$ 744,773</u>        |

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 5 CITY INDEBTEDNESS (CONTINUED)**

The following is a schedule of changes in City indebtedness for the year ended December 31, 2019:

|  | Beginning<br>of Year | Additions     | Retirements   | End of Year   | Due Within<br>One Year |
|--|----------------------|---------------|---------------|---------------|------------------------|
| <b>Governmental Activities:</b>                  |                      |               |               |               |                        |
| General Obligation Bonds                         | \$ 17,790,000        | \$ 9,470,000  | \$ 5,090,000  | \$ 22,170,000 | \$ 1,875,000           |
| General Obligation Tax Abatement Bonds           | 5,045,000            | -             | 3,190,000     | 1,855,000     | 405,000                |
| General Obligation Revenue Bond                  | 1,890,898            | 89,700        | 293,847       | 1,686,751     | 204,980                |
| Bond Subtotal                                    | 24,725,898           | 9,559,700     | 8,573,847     | 25,711,751    | 2,484,980              |
| Bond Premium                                     | 341,684              | 951,507       | 133,792       | 1,159,399     | -                      |
| Net Bond Subtotal                                | 25,067,582           | 10,511,207    | 8,707,639     | 26,871,150    | 2,484,980              |
| Capital Lease Obligations                        | 527,443              | 1,108,750     | 378,783       | 1,257,410     | 353,518                |
| Compensated Absences                             | 467,812              | 285,359       | 299,462       | 453,709       | 250,711                |
| Total Governmental Activities                    | 26,062,837           | 11,905,316    | 9,385,884     | 28,582,269    | 3,089,209              |
| <b>Business-Type Activities:</b>                 |                      |               |               |               |                        |
| General Obligation Bonds                         | 3,040,000            | 1,200,000     | 2,020,000     | 2,220,000     | 355,000                |
| General Obligation Tax Abatement Bonds           | 2,990,000            | -             | 145,000       | 2,845,000     | 150,000                |
| General Obligation Revenue Bonds                 | 53,852,662           | 8,205,300     | 7,753,716     | 54,304,246    | 3,111,020              |
| Electric Revenue Bonds                           | 8,060,000            | -             | 610,000       | 7,450,000     | 805,000                |
| Bond Subtotal                                    | 67,942,662           | 9,405,300     | 10,528,716    | 66,819,246    | 4,421,020              |
| Interest Accretion on Capital Appreciation Bonds | 2,561,879            | 152,816       | 2,714,695     | -             | -                      |
| Bond Premium                                     | 1,198,469            | 838,284       | 244,193       | 1,792,560     | -                      |
| Net Bond Subtotal                                | 71,703,010           | 10,396,400    | 13,487,604    | 68,611,806    | 4,421,020              |
| Revenue Lease Purchase Obligations               | 1,211,804            | 48,845        | 515,876       | 744,773       | 339,064                |
| Compensated Absences                             | 330,563              | 189,627       | 156,326       | 363,864       | 197,127                |
| Total Business-Type Activities                   | 73,245,377           | 10,634,872    | 14,159,806    | 69,720,443    | 4,957,211              |
| Total Debt                                       | \$ 99,308,214        | \$ 22,540,188 | \$ 23,545,690 | \$ 98,302,712 | \$ 8,046,420           |

Assets acquired through capital leases are as follows:

|                                | Governmental<br>Activities | Business-Type<br>Activities |
|--------------------------------|----------------------------|-----------------------------|
| <b>Asset:</b>                  |                            |                             |
| Land                           | \$ -                       | \$ 2,265,045                |
| Buildings and Improvements     | -                          | 2,476,044                   |
| Vehicles and Equipment         | 2,275,700                  | 2,491,944                   |
| Subtotal                       | 2,275,700                  | 7,233,033                   |
| Less: Accumulated Depreciation | (674,962)                  | (2,106,877)                 |
| <b>Total</b>                   | <b>\$ 1,600,738</b>        | <b>\$ 5,126,156</b>         |

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 5 CITY INDEBTEDNESS (CONTINUED)**

Minimum annual principal and interest payments required to retire long-term debt, not including compensated absences payable are as follows:

| Year Ending December 31. | Governmental Activities |                     |                          |                  |                      |
|--------------------------|-------------------------|---------------------|--------------------------|------------------|----------------------|
|                          | Bonded Debt             |                     | Notes and Capital Leases |                  | Totals               |
|                          | Principal               | Interest            | Principal                | Interest         |                      |
| 2020                     | \$ 2,484,980            | \$ 851,219          | \$ 353,518               | \$ 32,809        | \$ 3,722,526         |
| 2021                     | 2,489,956               | 745,520             | 302,675                  | 23,715           | 3,561,866            |
| 2022                     | 2,565,281               | 663,282             | 249,587                  | 15,124           | 3,493,274            |
| 2023                     | 2,640,606               | 576,601             | 233,278                  | 7,395            | 3,457,880            |
| 2024                     | 2,725,928               | 485,772             | 118,352                  | 1,239            | 3,331,291            |
| 2025-2029                | 7,360,000               | 1,367,113           | -                        | -                | 8,727,113            |
| 2030-2034                | 3,880,000               | 476,685             | -                        | -                | 4,356,685            |
| 2035-2039                | 1,335,000               | 119,625             | -                        | -                | 1,454,625            |
| 2040                     | 230,000                 | 3,450               | -                        | -                | 233,450              |
| Totals                   | <u>\$ 25,711,751</u>    | <u>\$ 5,289,267</u> | <u>\$ 1,257,410</u>      | <u>\$ 80,282</u> | <u>\$ 32,338,710</u> |

| Year Ending December 31. | Business-Type Activities |                      |                   |                  |                      |
|--------------------------|--------------------------|----------------------|-------------------|------------------|----------------------|
|                          | Bonded Debt              |                      | Capital Leases    |                  | Totals               |
|                          | Principal                | Interest             | Principal         | Interest         |                      |
| 2020                     | \$ 4,421,020             | \$ 2,255,751         | \$ 339,064        | \$ 12,507        | \$ 7,028,342         |
| 2021                     | 4,700,044                | 2,081,530            | 285,079           | 6,184            | 7,072,837            |
| 2022                     | 5,154,719                | 1,897,134            | 100,454           | 1,175            | 7,153,482            |
| 2023                     | 4,769,394                | 1,707,646            | 9,986             | 346              | 6,487,372            |
| 2024                     | 5,934,069                | 1,515,020            | 10,190            | 123              | 7,459,402            |
| 2025-2029                | 28,810,000               | 4,534,863            | -                 | -                | 33,344,863           |
| 2030-2034                | 12,815,000               | 956,325              | -                 | -                | 13,771,325           |
| 2035                     | 215,000                  | 3,386                | -                 | -                | 218,386              |
| Totals                   | <u>\$ 66,819,246</u>     | <u>\$ 14,951,655</u> | <u>\$ 744,773</u> | <u>\$ 20,335</u> | <u>\$ 82,536,009</u> |

The annual requirements to amortize all long-term debt outstanding as of December 31, 2019, including interest of \$20,341,539 are as follows:

| Year Ending December 31. | Amount                |
|--------------------------|-----------------------|
| 2020                     | \$ 10,750,868         |
| 2021                     | 10,634,703            |
| 2022                     | 10,646,756            |
| 2023                     | 9,945,252             |
| 2024                     | 10,790,693            |
| 2025-2029                | 42,071,976            |
| 2030-2034                | 18,128,010            |
| 2035-2039                | 1,673,011             |
| 2040                     | 233,450               |
| Total                    | <u>\$ 114,874,719</u> |

In 2019, the City issued \$8,295,000 in General Obligation Water and Sewer Revenue Refunding Bonds (Series 2019A) for the purpose of effecting current refundings of certain outstanding general obligations of the City. The bonds carry an interest rate between 3.0% and 5.0% and will mature in 2025. The refunding was undertaken to reduce total debt service payments in the amount of \$654,888 over the next 15 years, and resulted in economic gain of \$657,621.

The City also issued \$6,710,000 in General Obligation Bonds (Series 2019B) for the purpose of financing certain street reconstruction projects and the construction of a new fire facility. The bonds carry an interest rate between 3.0% and 5.0% and will mature in 2040.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 5 CITY INDEBTEDNESS (CONTINUED)**

The City also issued \$3,960,000 in General Obligation Refunding Bonds (Series 2019C) for the purpose of effecting current refundings of certain outstanding general obligations of the City. The bonds will carry an interest rate of 5.0% and will mature in 2026. The refunding was undertaken to reduce total debt service payments in the amount of \$318,233 over the next 16 years, and resulted in economic gain of \$322,132.

During the year ended December 31, 2019, the City placed \$3,099,846 of existing resources in an account held by an escrow agent to defease the 2015C bonds in the amount of \$2,970,000. The defeasance was undertaken as Wright County purchased the related facility and the proceeds were used to defease the debt. Total cash flows to service the defeased debt is \$3,103,347.

**NOTE 6 PENSION PLANS**

**A. Plan Description**

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

**1. General Employees Retirement Plan**

All full-time and certain part-time employees of the City are covered by the General Employees Retirement 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 a local relief association 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 services.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 6 PENSION PLANS (CONTINUED)**

B. Benefits Provided (Continued)

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

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. 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% after five years up to 100% after 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% 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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1.0%. 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.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 6 PENSION PLANS (CONTINUED)**

**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 Plan Contributions**

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in calendar year 2019. The City was required to contribute 7.50% for Coordinated Plan members in calendar year 2019. The City contributions to the General Employees Fund for the year ended December 31, 2019 were \$374,706. The City contributions were equal to the required contributions as set by state statute.

**2. Police and Fire Plan Contributions**

Plan member's contribution rates increased from 10.8% of pay to 11.3% and employer rates increased from 16.2% to 16.95% on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$205,864. The City contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

**1. General Employees Fund Pension Costs**

At December 31, 2019, the City reported a liability of \$3,582,647 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 to the fund in 2019. The state of Minnesota is considered a nonemployer 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 \$111,328. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was 0.0648% which was an increase of 0.0008% from its proportionate share measured as of June 30, 2018.

|  |                     |
|--|---------------------|
| City's Proportionate Share of the Net Pension Liability                                | \$ 3,582,647        |
| State's Proportionate Share of the Net Pension Liability Associated with the City      | 111,328             |
| <u>Total Proportionate Share of the Net Pension Liability Associated with the City</u> | <u>\$ 3,693,975</u> |

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 6 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**1. General Employees Fund Pension Costs (Continued)**

For the year ended December 31, 2019, the City recognized pension expense of \$440,959 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$8,337 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, 2019, the City reported its proportionate share of the General Employees Plan's deferred outflow of resources and deferred inflow of resources related to pensions from the following sources:

| Description                                   | Deferred<br>Outflow of<br>Resources | Deferred<br>Inflow of<br>Resources |
|---|-------------------------------------|------------------------------------|
| Differences Between Expected and Actual       |                                     |                                    |
| Economic Experience                           | \$ 99,288                           | \$ -                               |
| Changes in Actuarial Assumptions              | -                                   | 281,598                            |
| Net Difference Between Projected and Actual   |                                     |                                    |
| Earnings on Pension Plan Investments          | -                                   | 363,143                            |
| Changes in Proportion and Differences Between |                                     |                                    |
| City Contributions and Proportionate          |                                     |                                    |
| Share of Contributions                        | 82,523                              | 36,739                             |
| City Contributions Subsequent to the          |                                     |                                    |
| Measurement Date                              | 195,726                             | -                                  |
| Total   | <u>\$ 377,537</u>                   | <u>\$ 681,480</u>                  |

\$195,726 reported as deferred outflow 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, 2020. Other amounts reported as deferred outflow and inflow of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending December 31,</u> | Pension<br>Expenses |
|---------------------------------|---------------------|
| 2020                            | \$ (151,861)        |
| 2021                            | (294,306)           |
| 2022                            | (59,277)            |
| 2023                            | 5,775               |
| Total                           | <u>\$ (499,669)</u> |

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 6 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**2. Police and Fire Fund Pension Costs**

At December 31, 2019, the City reported a liability of \$1,187,029 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was 0.1155% which was an increase of 0.0049% from its proportionate share measured as of June 30, 2018. The City also recognized \$15,502 for the year ended December 31, 2019, as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contribution to the Police and Fire fund. Legislation passed in 2013 required the state of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90% funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of \$378,482 for its proportionate share of the Police and Fire Plan's pension expense.

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

| Description                                   | Deferred<br>Outflow of<br>Resources | Deferred<br>Inflow of<br>Resources |
|---|-------------------------------------|------------------------------------|
| Differences Between Expected and Actual       |                                     |                                    |
| Economic Experience                           | \$ 50,400                           | \$ 180,679                         |
| Changes in Actuarial Assumptions              | 985,047                             | 1,332,670                          |
| Net Difference Between Projected and Actual   |                                     |                                    |
| Earnings on Pension Plan Investments          | -                                   | 247,230                            |
| Changes in Proportion and Differences Between |                                     |                                    |
| City Contributions and Proportionate          |                                     |                                    |
| Share of Contributions                        | 297,966                             | 18,709                             |
| City Contributions Subsequent to the          |                                     |                                    |
| Measurement Date                              | 104,100                             | -                                  |
| Total   | <u>\$ 1,437,513</u>                 | <u>\$ 1,779,288</u>                |

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 6 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**2. Police and Fire Fund Pension Costs (Continued)**

\$104,100 reported as deferred outflow 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, 2020. Other amounts reported as deferred outflow and inflow of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending December 31,</u> | <u>Pension<br/>Expense<br/>Amount</u> |
|---------------------------------|---------------------------------------|
| 2020                            | \$ 128,321                            |
| 2021                            | (154,326)                             |
| 2022                            | (448,280)                             |
| 2023                            | 15,109                                |
| 2024                            | 13,301                                |
| <b>Total</b>                    | <b>\$ (445,875)</b>                   |

The total pension expense for all plans recognized by the City for the year ended December 31, 2019 was \$827,778.

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions:

| <u>Assumptions</u>           |                |
|------------------------------|----------------|
| Inflation                    | 2.50% per Year |
| Active Member Payroll Growth | 3.25% per Year |
| Investment Rate of Return    | 7.50%          |

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

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 6 PENSION PLANS (CONTINUED)**

**E. Actuarial Assumptions (Continued)**

The following changes in actuarial assumptions occurred in 2019:

**General Employees Fund**

**Change in Actuarial Assumptions:**

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

**Change in Plan Provisions:**

- The employer supplemental contribution was change 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.

**Police and Fire Fund**

**Change in Actuarial Assumptions:**

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

**Change in Plan Provisions:**

- There have been no changes since the prior valuation.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class          | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|-------------------|--|
| Domestic Equity      | 35.5 %            | 5.10 %                                 |
| International Equity | 17.5              | 5.90                                   |
| Private Markets      | 25.0              | 5.90                                   |
| Fixed Income         | 20.0              | 0.75                                   |
| Cash                 | 2.0               | -                                      |
| <b>Total</b>         | <b>100 %</b>      |  |

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2019 was 7.50%. 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 was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 6 PENSION PLANS (CONTINUED)**

**G. Pension Liability Sensitivity**

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

|             | Proportionate Share of the |                       |                      |                       |
|-------------|----------------------------|-----------------------|----------------------|-----------------------|
|             | General Employees          |                       | Public Employees     |                       |
|             | Retirement Plan            |                       | Police and Fire Plan |                       |
|             | Discount Rate              | Net Pension Liability | Discount Rate        | Net Pension Liability |
| 1% Decrease | 6.50%                      | \$ 5,889,678          | 6.50%                | \$ 2,594,627          |
| Current     | 7.50%                      | 3,582,647             | 7.50%                | 1,187,039             |
| 1% Increase | 8.50%                      | 1,677,734             | 8.50%                | 23                    |

**H. Pension Plan Fiduciary Net Position**

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

**NOTE 7 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN**

**A. Plan Description**

Firefighters of the City are members of the Buffalo Firefighters Relief Association (the Association). The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes, Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2019, membership includes 33 active participants and 9 terminated employees entitled to benefits, but not yet receiving them.

**B. Benefits Provided**

Authority for payment of pension benefits is established in Minnesota Statutes §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the fire department, has served at least 20 years of active service with such department before retirement, shall be entitled to a lump sum service pension in the amount of \$4,000 for each year of active fire department service, but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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## **NOTE 7 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN (CONTINUED)**

## B. Benefits Provided (Continued)

Pursuant to Minnesota Statutes §424A.02, Subds. 2 and 4, members who retire with 10 years of service and have reached the age of 50 years are eligible for a retirement benefit. Members who retire before full retirement age and years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in Minnesota Statutes §424A.02, Subd. 2(c). During the time a member is on early vested pension, they will not be eligible for disability benefits.

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum \$4,000 for each year the member was an active member of the Buffalo Fire Department. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

Minnesota Statutes Section 424A.10 provides for the payment of a supplemental benefit equal to 10% of a regular lump sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of state income tax exclusion for lump sum distributions and will no longer be available if state tax law is modified to exclude lump sum distributions from state income tax. The Association qualifies for these benefits.

### C. Contributions

Minnesota Statutes Chapter 69.772 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from state aid are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The association is comprised of volunteers; therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations).

The minimum contribution from the City and state aid is determined as follows:

|  |             |
|--|-------------|
| Normal Cost  | \$ 135,075  |
| Amortization Payment on Unfunded Accrued Liability Prior to Any Change | 36,700      |
| Administrative Expenses  | 266         |
| Anticipated State Aid  | (116,196)   |
| Projected Investment Earnings  | (55,845)    |
| <b>Total Contribution Required</b>                                     | <b>\$ -</b> |

The Plan is funded in part by fire state aid and, if necessary, City contributions. The state of Minnesota distributed to the City \$123,268 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2019. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contribution to the plan for the year ended December 31, 2019 was \$0-.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 7 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN  
 (CONTINUED)**

**D. Pension Costs**

At December 31, 2019, the City reported an asset of \$264,260 for the Association's net pension asset. The net pension asset was measured as of December 31, 2018, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

As a result of its requirement to contribute to the Relief Association, the City recognized expense of \$189,485 for the year ended December 31, 2019. At December 31, 2019, the City reported deferred outflow of resources and deferred inflow of resources from the following sources:

| Description  | Deferred<br>Outflow of<br>Resources | Deferred<br>Inflow of<br>Resources |
|--|-------------------------------------|------------------------------------|
| Differences Between Expected and Actual                  |                                     |                                    |
| Economic Experience                                      | \$ -                                | \$ 67,979                          |
| Changes in Actuarial Assumptions                         | 14,036                              | -                                  |
| Net Difference Between Projected and Actual              |                                     |                                    |
| Earnings on Pension Plan Investments                     | 109,804                             | -                                  |
| City Contributions Subsequent to the<br>Measurement Date | 2,500                               | -                                  |
| Total  | <u>\$ 126,340</u>                   | <u>\$ 67,979</u>                   |

Amounts reported as deferred outflow and inflow of resources related to the Association's pension will be recognized in pension expense as follows:

| <u>Year Ending December 31,</u> | Pension<br>Expenses<br>Amount |
|---------------------------------|-------------------------------|
| 2020                            | \$ 28,437                     |
| 2021                            | (1,619)                       |
| 2022                            | 7,576                         |
| 2023                            | 36,060                        |
| 2024                            | (9,838)                       |
| Thereafter                      | (4,755)                       |
| Total                           | <u>\$ 55,861</u>              |

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 7 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN  
 (CONTINUED)**

**E. Actuarial Assumptions**

The actuarial total pension liability was determined as of December 31, 2018. The measurement period for year ended December 31, 2019 is December 31, 2018. The following actuarial assumptions were used to calculate the total pension liability, applied to all periods included in the measurement:

|                              |                   |
|------------------------------|-------------------|
| Valuation Date:              | December 31, 2018 |
| Actuarial Cost Method:       | Entry Age Normal  |
| Amortization Method:         | Level Dollar      |
| <br>                         |                   |
| Actuarial Assumptions:       |                   |
| Discount Rate                | 5.25%             |
| Investment Rate of Return    | 5.25%             |
| 20-Year Municipal Bond Yield | 3.71%             |
| Age of Service Retirement    | 50                |

The best-estimate of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best-estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

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 December 31, 2018 are summarized in the following table:

| Asset Class                  | Portfolio Weight | Expected Nominal Rate of Return |
|------------------------------|------------------|---------------------------------|
| Cash                         | 5.0 %            | 3.08 %                          |
| Domestic Equity              | 60.0             | 7.45                            |
| International Equity         | -                | 7.74                            |
| Fixed Income                 | 35.0             | 4.49                            |
| Real Estate and Alternatives | -                | 6.69                            |
| <b>Total</b>                 | <b>100.0 %</b>   |                                 |

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 7 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN  
 (CONTINUED)**

**F. Discount Rate**

The discount rate used to measure the total pension liability was 5.25%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets 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 of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**G. Pension Asset Sensitivity**

The following presents the City of Buffalo's proportionate share of the net pension asset of the Association, calculated using the discount rate of 5.25%, as well as what the Association's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.25%) or one percentage point higher (6.25%) than the current rate:

|                               | Selected     |               |              |
|-------------------------------|--------------|---------------|--------------|
|                               | 1% Decrease  | Discount Rate | 1% Increase  |
| Net Pension Liability (Asset) | \$ (219,079) | \$ (264,620)  | \$ (308,431) |
| Discount Rate                 | 4.25%        | 5.25%         | 6.25%        |

**H. Plan's Fiduciary Net Position**

Information about the Plan's fiduciary net position is as follows:

| <b>Assets</b>                 |                  |
|-------------------------------|------------------|
| Cash                          | \$ 185,533       |
| Cash Position of Mutual Funds | 66,555           |
| Investments                   | <u>1,601,276</u> |
| Total Assets                  | <u>1,853,364</u> |

| <b>Net Position</b> |                            |
|---------------------|----------------------------|
| Unrestricted        | <u><u>\$ 1,853,364</u></u> |

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 7 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN  
 (CONTINUED)**

H. Plan's Fiduciary Net Position (Continued)

Information about changes in the Plan's net pension asset is as follows:

|  | Measurement Date    |
|--|---------------------|
|  | December 31,        |
|  | 2018                |
| <b>Total Pension Liability</b>   |                     |
| Service Cost   | \$ 65,652           |
| Interest   | 83,406              |
| Changes in Experience  | (34,654)            |
| Changes in Assumptions   | 36,728              |
| Change of Benefit Terms  | <u>113,172</u>      |
| <b>NET CHANGE IN TOTAL PENSION LIABILITY</b>   | 264,304             |
| Total Pension Liability - Beginning of Year  | <u>1,324,440</u>    |
| <b>TOTAL PENSION LIABILITY - END OF YEAR (a)</b>                                     | 1,588,744           |
| <b>Plan Fiduciary Net Position</b>   |                     |
| Municipal Contributions  | 11,095              |
| State Contributions  | 119,581             |
| Net Investment Income  | (116,981)           |
| Administrative Expenses  | <u>(11,323)</u>     |
| <b>NET CHANGE IN FIDUCIARY NET POSITION</b>  | 2,372               |
| Fiduciary Net Position - Beginning of Year   | <u>1,850,992</u>    |
| <b>FIDUCIARY NET POSITION - END OF YEAR (b)</b>                                      | <u>1,853,364</u>    |
| <b>ASSOCIATION'S NET PENSION LIABILITY/<br/>     (ASSET) - END OF YEAR (a) - (b)</b> | <u>\$ (264,620)</u> |

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 8 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**A. Plan Description**

The City operates a single-employer retiree benefit plan (the Plan) that provides health and dental insurance to eligible employees and their spouses through the City's health insurance plan. There are 79 active participants and no retired participants. Benefit and eligibility provisions are established through negotiations between the City and the City's employees. The Plan does not issue a publicly available financial report.

**B. Funding Policy**

The City does not have assets designated to pay for OPEB related costs. Contribution requirements are negotiated between the City and the City's employees. The eligibility for, amount of, duration of, and City's contribution to the cost of the benefits provided varies by contract and date of retirement. The City is funding this liability on a pay-as-you-go basis. For the year ended December 31, 2019, the City did not contribute to the plan.

**C. Actuarial Methods and Assumptions**

The City's OPEB liability was measured as of January 1, 2019, and was determined by an actuarial valuation as of January 1, 2018.

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

|                     |  |
|---------------------|--|
| Inflation           | 2.50%  |
| Salary Increases    | 3.00%  |
| Medical Trend Rates | 6.25% Decreasing<br>to 5.00% Over 5<br>Years |

Mortality Rates were based on the RP-2014 mortality tables with projected monthly improvements based on Scale MP-2017, and other adjustments.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2017 to December 31, 2017.

The discount rate used to measure the total OPEB liability was 3.80%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

Since the most recent actuarial valuation, the following changes have been made:

- The discount rate was changed from 3.30% to 3.80%.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 8 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**D. Changes in the OPEB Liability**

|                                    | Total OPEB<br>Liability  |
|------------------------------------|--------------------------|
| Balances at December 31, 2018      | \$ 499,663               |
| Changes for the Year:              |                          |
| Service Cost                       | 46,525                   |
| Interest Cost                      | 17,926                   |
| Assumption Changes                 | (17,459)                 |
| Benefit Payments                   | (5,969)                  |
| Net Change in Total OPEB Liability | <u>41,023</u>            |
| Balances at December 31, 2019      | <u><u>\$ 540,686</u></u> |

The following presents the OPEB liability of the City, as well as what the City's OPEB 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:

|                | 1% Decrease<br>(2.80%) | Discount Rate<br>(3.80%) | 1% Increase<br>(4.80%) |
|----------------|------------------------|--------------------------|------------------------|
|                | \$ 584,098             | \$ 540,686               | \$ 500,077             |
| OPEB Liability |                        |                          |                        |

The following presents the OPEB liability of the City, as well as what the City's OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.25% decreasing to 4% over five years) or 1% higher (7.25% decreasing to 6% over five years) than the current healthcare cost trend rates:

|                | 1% Decrease<br>(5.25%) | Current Trend<br>Rates (6.25%) | 1% Increase<br>(7.25%) |
|----------------|------------------------|--------------------------------|------------------------|
|                | Decreasing to 4%)      | Decreasing to 5%)              | Decreasing to 6%)      |
| OPEB Liability | \$ 476,623             | \$ 540,686                     | \$ 616,510             |

For the year ended December 31, 2019, the City recognized OPEB Expense of \$41,023. At December 31, 2019, the City reported \$15,275 in deferred inflow of resources, and \$11,113 in deferred outflows of resources resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year December 31, 2020.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 9 STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY**

**A. Deficit Fund Balances/Net Position**

The City has deficit fund balances/net position at December 31, 2019 as follows:

|                           |  |                |
|---------------------------|--|----------------|
| Governmental Funds:       |  |                |
| HRA Debt Service          |  | \$ (1,739,247) |
| Other Governmental Funds: |  |                |
| Civic Center Fund         |  | (2,316,514)    |
| Proprietary Funds:        |  |                |
| Golf Course Fund          |  | (7,381,724)    |

The City intends to fund these deficits through future tax levies, special assessment levies, tax increments, transfers from other funds, and various other sources.

**B. Expenditures in Excess of Budget**

For the year ended December 31, 2019, expenditures exceeded budget in the General fund by \$51,353 and Airport Special Revenue fund by \$37,891. These expenditures were funded by current year transfers.

**NOTE 10 DEFERRED AD VALOREM TAX LEVIES – BONDED DEBT**

General obligation bond issues sold by the City are partially financed by ad valorem tax levies in addition to special assessments levied against the benefiting properties. When a bond issue to be financed partially or completely by ad valorem tax levies is sold, specific annual amounts of such tax levies are stated in the bond resolution and the county auditor is notified and instructed to levy these taxes over the appropriate years. The future tax levies are subject to cancellation when and if the City has provided alternative sources of financing. The City council is required to levy any additional taxes found necessary for full payment of principal and interest.

These future scheduled tax levies are not shown as assets in the accompanying financial statements at December 31, 2019 because they have not yet been levied against the properties by the county.

Future scheduled tax levies for all bonds outstanding at December 31, 2019 totaled \$24,896,233.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 11 INTERFUND ADVANCES AND TRANSFERS**

**A. Advances To/From Other Funds**

| Fund                     | Advances to<br>Other Funds  | Advances from<br>Other Funds |
|--------------------------|-----------------------------|------------------------------|
| General Fund             | \$ 2,396,378                | \$ -                         |
| Debt Service Fund        | 1,830,015                   | -                            |
| HRA Debt Service Fund    | -                           | 1,830,015                    |
| Other Governmental Funds | -                           | 2,396,378                    |
| Proprietary Funds:       |                             |                              |
| Electric Fund            | 4,521,605                   | -                            |
| Water and Sewer Fund     | 2,548,210                   | -                            |
| Golf Course Fund         | -                           | 7,069,815                    |
| Total Advances           | <u><u>\$ 11,296,208</u></u> | <u><u>\$ 11,296,208</u></u>  |

The Debt Service Fund advanced \$1,830,015 to the HRA Debt Service Fund as the City issued debt for the downtown enhancement project for which the HRA spent the proceeds.

The General Fund advanced \$2,396,378 to the Civic Center Fund to eliminate deficit cash balance. The amount is not expected to be repaid within one year.

The Electric Fund and Water and Sewer Funds advanced \$4,521,605 and \$2,548,210, respectively, to the Wild Marsh Golf Course Fund to eliminate deficit cash balances. The Wild Marsh Golf Course Fund reports a deficit cash balance primarily due to operating losses incurred in the 15 years of operations. Management is reviewing the operational activity to determine how the funds will be repaid. The amount is not expected to be repaid within one year.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 11 INTERFUND ADVANCES AND TRANSFERS (CONTINUED)**

**B. Transfers**

Transfers between funds during 2019 are as follows:

|  | <u>Amount</u>              | <u>Description</u>       |
|--|----------------------------|--------------------------|
| <b><u>Major Governmental Funds</u></b>         |                            |                          |
| Transfers to General Fund from:                |                            |                          |
| Electric Fund                                  | \$ 900,000                 | Annual Contribution      |
| Liquor Fund                                    | 475,000                    | Annual Park Contribution |
| Total Transfers to General Fund                | <u>1,375,000</u>           |                          |
| Transfers to Debt Service Fund from:           |                            |                          |
| General Fund                                   | 170,166                    | Transfer of Debt Payment |
| Capital Project Fund                           | 11,771                     | Close a Project Account  |
| HRA Fund                                       | 83,600                     | Transfer of Debt Payment |
| HRA Debt Service Fund                          | 43,066                     | Transfer of Debt Payment |
| Airport Fund                                   | 13,845                     | Transfer of Debt Payment |
| Total Transfers to Debt Service Fund           | <u>322,448</u>             |                          |
| Transfers to Capital Projects Fund from:       |                            |                          |
| General Fund                                   | 879,743                    | Street Improvements      |
| Transfers to HRA Debt Service Fund from:       |                            |                          |
| HRA Fund                                       | <u>178,587</u>             | Transfer of Debt Payment |
| Total Transfers to Major Governmental Funds    | <u>2,755,778</u>           |                          |
| <b><u>Nonmajor Governmental Funds</u></b>      |                            |                          |
| Transfers to Library Fund from:                |                            |                          |
| General Fund                                   | 15,000                     | Annual Contribution      |
| Transfers to Civic Center Fund from:           |                            |                          |
| General Fund                                   | 300,000                    | Annual Contribution      |
| Electric Fund                                  | 100,000                    | Annual Contribution      |
| Total Transfers to Civic Center Fund           | <u>400,000</u>             |                          |
| Transfers to Airport Fund from:                |                            |                          |
| General Fund                                   | <u>50,000</u>              | Annual Contribution      |
| Total Transfers to Nonmajor Governmental Funds | <u>465,000</u>             |                          |
| Total Interfund Transfers                      | <u><u>\$ 3,220,778</u></u> |                          |

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 12 FUND BALANCE CLASSIFICATIONS**

The fund balance classifications of the governmental funds as of December 31, 2019 were as follows:

|                           | General Fund               | Debt Service Fund          | Capital Project Fund       | HRA Debt Service Fund        | Other Governmental Funds     | Governmental Funds Total    |
|---------------------------|----------------------------|----------------------------|----------------------------|------------------------------|------------------------------|-----------------------------|
| <b>Nonspendable:</b>      |                            |                            |                            |                              |                              |                             |
| Inventory                 | \$ -                       | \$ -                       | \$ -                       | \$ -                         | \$ 12,433                    | \$ 12,433                   |
| Prepaid Expenses          | 81,460                     | -                          | -                          | -                            | 4,051                        | 85,511                      |
| Advance to Other Funds    | 2,396,378                  | -                          | -                          | -                            | -                            | 2,396,378                   |
| Land Held for Resale      | 7,800                      | -                          | -                          | -                            | 214,400                      | 222,200                     |
| Total Nonspendable        | <u>2,485,638</u>           | <u>-</u>                   | <u>-</u>                   | <u>-</u>                     | <u>230,884</u>               | <u>2,716,522</u>            |
| <b>Restricted:</b>        |                            |                            |                            |                              |                              |                             |
| Debt Service              | -                          | 5,026,620                  | -                          | -                            | -                            | 5,026,620                   |
| Capital Projects          | -                          | -                          | 5,176,267                  | -                            | -                            | 5,176,267                   |
| Total Restricted          | <u>-</u>                   | <u>5,026,620</u>           | <u>5,176,267</u>           | <u>-</u>                     | <u>-</u>                     | <u>10,202,887</u>           |
| <b>Committed:</b>         |                            |                            |                            |                              |                              |                             |
| Library                   | -                          | -                          | -                          | -                            | 123,070                      | 123,070                     |
| Mill/Overlay Projects     | -                          | -                          | 1,822,697                  | -                            | -                            | 1,822,697                   |
| Fire Operations           | -                          | -                          | -                          | -                            | 459,426                      | 459,426                     |
| The Buffalo HRA           | -                          | -                          | -                          | -                            | 228,663                      | 228,663                     |
| Airport                   | -                          | -                          | -                          | -                            | 195,541                      | 195,541                     |
| Total Committed           | <u>-</u>                   | <u>-</u>                   | <u>1,822,697</u>           | <u>-</u>                     | <u>1,006,700</u>             | <u>2,829,397</u>            |
| <b>Unassigned</b>         | <u>2,762,173</u>           | <u>-</u>                   | <u>-</u>                   | <u>(1,739,247)</u>           | <u>(2,320,542)</u>           | <u>(1,297,616)</u>          |
| <b>Total Fund Balance</b> | <b><u>\$ 5,247,811</u></b> | <b><u>\$ 5,026,620</u></b> | <b><u>\$ 6,998,964</u></b> | <b><u>\$ (1,739,247)</u></b> | <b><u>\$ (1,082,958)</u></b> | <b><u>\$ 14,451,190</u></b> |

**NOTE 13 RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Workers' compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers' Compensation Reinsurance Association (WCRA) as required by law. For workers' compensation, the City is not subject to a deductible. The City's workers' compensation coverage is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 13 RISK MANAGEMENT (CONTINUED)**

Property and casualty insurance is provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. The City retains risk for the deductible portion of the insurance policies and for any exclusion from the insurance policies. These amounts are considered immaterial to the financial statements.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

**NOTE 14 TAX ABATEMENTS**

The City has six pay-as-you-go tax increment financing districts with local businesses to promote economic development within the City as authorized under Minnesota Statutes §469.17. The City is currently collecting tax increments that are paid through the property tax collection process. The requirement for businesses to receive the excess tax increments from the City is to perform improvements on the owned property. The increment taxes are based on the increase of the property value after the improvements are made. The agreements call for 90% of the property tax increments collected to be returned to the developers less administrative fees.

The first district is a qualified housing tax increment financing district to facilitate construction of senior rental housing development within the City. The district will stop collections as of the earlier of December 31, 2027 or when the plan is satisfied. For the year ended December 31, 2019, the City paid excess tax increment in the amount of \$47,361.

The second district is to facilitate the reconstruction of a local business which was destroyed by a fire within the City. The district will stop collections as of the earlier of December 31, 2028 or when the plan is satisfied. For the year ended December 31, 2019, the City paid excess tax increment in the amount of \$669.

The third district is created to facilitate development of 24 affordable rental town home units within the City. The district will stop collections as of the earlier of December 31, 2037 or when the plan is satisfied. For the year ended December 31, 2019, the City paid excess tax increment in the amount of \$15,793.

The fourth district is a redevelopment tax increment financing district that was created to facilitate the renovation of one substandard structure and the construction of two new commercial buildings within the City. The district will stop collections as of the earlier of December 31, 2041 or when the plan is satisfied. For the year ended December 31, 2019, the City paid excess tax increment in the amount of \$5,347.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 14 TAX ABATEMENTS (CONTINUED)**

The fifth district is an economic development district to facilitate the construction of a 20,000-square-foot expansion to a manufacturing facility in the City. The district will stop collections as of the earlier of December 31, 2025 or when the plan is satisfied. For the year ended December 31, 2019, the City paid excess tax increment in the amount of \$26,520.

The sixth district is a housing district to facilitate making the land in the Project Area available for development by private enterprise in conformance with the Redevelopment Plan. The district will stop collections as of the earlier of December 31, 2048 or when the plan is satisfied. For the year ended December 31, 2019, the City paid in excess tax increment in the amount of \$0-.

The City participates in a 10-year tax abatement program with Buffalo Healthcare Investors, LLC under Minnesota Statutes, Sections 469.1813 through 469.1815. Under these statutes, the City is able to grant tax abatements for development purposes including general economic development, such as increasing the property tax base or the number of jobs in the area, and providing access to services for residents such as healthcare. The assessed value attributable to land at Lot 2, Block 1, Kaysons Third Addition, Wright County, Minnesota shall be abated from property taxes for 10 years. The abatement shall not apply to any special assessments that are levied against the property. For the year ended December 31, 2019, the City abated property taxes totaling \$11,193. No other commitments were made by the City as part of these agreements.

**NOTE 15 COMMITMENTS AND CONTINGENCIES**

**A. Federal and State Funds**

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. Management is not aware of any disallowed claims at this time.

During 2010, the City received federal funding for an airport project. As part of that grant agreement the City is required to operate the airport as a licensed, municipally-owned public airport at all times of the year for a period of 20 years.

**B. Electric Power Purchase Agreement**

The City has entered into a contract with Minnesota Municipal Power Agency (MMPA) for the purchase of electric power and energy. The rates vary depending on numerous factors as outlined in the contract. The contract became effective January 1, 2006 and remains in effect through October 31, 2040. If not then terminated by five years written notice by either party, the contract continues in full force until so terminated.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 15 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**C. Construction Commitments**

The City entered into construction contracts for various construction projects started during the year. The following contracts had been entered into and were at various stages of completion at December 31, 2019:

| Project                           | Contract Cost              | Estimated Project Costs Incurred to Date* | Remaining Committed        |
|-----------------------------------|----------------------------|---|----------------------------|
| Airport Pavement Improvements     | \$ 483,473                 | \$ 262,427                                | \$ 221,046                 |
| Douglas Drive Reconstruction      | 1,465,081                  | 351,631                                   | 1,113,450                  |
| SE Phase III Reconstruction       | 1,428,433                  | 1,241,458                                 | 186,975                    |
| Biosolids Processing Improvements | 1,830,456                  | 1,738,273                                 | 92,183                     |
| Total                             | <u><u>\$ 5,207,443</u></u> | <u><u>\$ 3,593,789</u></u>                | <u><u>\$ 1,613,654</u></u> |

\* Includes Contracts Payable Amount

**NOTE 16 CONDUIT DEBT OBLIGATIONS**

From time to time, the City has issued industrial revenue bonds and other similar type revenue bonds 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, 2019, the City had the following revenue bonds outstanding:

| Description of Issue  | Original Issue Date | Maturity | Outstanding December 31, 2019 |
|---|---------------------|----------|-------------------------------|
| Health Care Refunding Revenue Bonds Series 2006<br>(Central Minnesota Senior Housing LLC Project) | 9/12/2006           | 9/1/2033 | \$ 14,070,000                 |

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 17 SUBSEQUENT EVENTS**

On April 6, 2020, the City Council authorized issuance of \$5,930,000 in General Obligation Bonds, Series 2020A. General Obligation Bonds were issued to finance the completion of the City's fire station, acquisition of capital equipment, and water and sewer improvements. The interest rate on this bond is 2.0% to 3.0% and it is set to mature in 2040.

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the City, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management believes the City is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

During the period from January 1, 2020 through May 13, 2020 both domestic and international equity markets have experienced significant declines. These losses are not reflected in the financial statements as of and for the year ended December 31, 2019 as these events occurred subsequent to year-end and are still developing.

**NOTE 18 PRIOR PERIOD RESTATEMENT**

Beginning net position of the Electric Fund and Business-Type Activities was restated by \$309,370 to properly state net position for intangible assets that were improperly depreciated in prior years.

|  | Electric Fund               | Business-Type Activities    |
|--|-----------------------------|-----------------------------|
| Net Positon - Beginning of Year              | \$ 17,336,474               | \$ 15,902,587               |
| Restatement - Correction of an Error         | 309,370                     | 309,370                     |
| Net Positon - Beginning of Year, as Restated | <u><u>\$ 17,645,844</u></u> | <u><u>\$ 16,211,957</u></u> |

## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF BUFFALO**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**LAST TEN MEASUREMENT PERIODS**

|  | Measurement Date |               |               |               |               |
|--|------------------|---------------|---------------|---------------|---------------|
|  | June 30, 2019    | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
| <b>GENERAL EMPLOYEES RETIREMENT PLAN</b>   |                  |               |               |               |               |
| City's Proportion of the Net Pension Liability   | 0.0648%          | 0.0640%       | 0.0652%       | 0.0620%       | 0.0651%       |
| City's Proportionate Share of the Net Pension Liability  | \$ 3,582,647     | \$ 3,550,459  | \$ 4,162,325  | \$ 5,034,092  | \$ 3,373,820  |
| State's Proportionate Share of the Net Pension Liability Associated with the City of Buffalo   | \$ 111,328       | \$ 116,463    | \$ 52,338     | \$ 65,737     | \$ -          |
| Total Proportionate Share of the Net Pension Liability Associated with the City of Buffalo     | \$ 3,693,975     | \$ 3,666,922  | \$ 4,214,663  | \$ 5,099,829  | \$ 3,373,820  |
| City's Covered Payroll   | \$ 4,582,991     | \$ 4,305,175  | \$ 4,195,877  | \$ 3,841,975  | \$ 3,794,647  |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 78%              | 82%           | 99%           | 131%          | 89%           |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                     | 80.20%           | 79.50%        | 75.90%        | 68.90%        | 78.75%        |
| <b>PUBLIC EMPLOYEES POLICE AND FIRE PLAN</b>   | Measurement Date |               |               |               |               |
|  | June 30, 2019    | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
| City's Proportion of the Net Pension Liability   | 0.1115%          | 0.1066%       | 0.1060%       | 0.1030%       | 0.1080%       |
| City's Proportionate Share of the Net Pension Liability  | \$ 1,187,029     | \$ 1,136,246  | \$ 1,431,126  | \$ 4,133,569  | \$ 1,227,133  |
| City's Covered Payroll   | \$ 1,175,987     | \$ 1,123,750  | \$ 1,089,355  | \$ 996,175    | \$ 1,002,211  |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 101%             | 101%          | 131%          | 415%          | 122%          |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                     | 89.30%           | 88.80%        | 85.40%        | 63.90%        | 78.75%        |

\*Additional information will be added as it becomes available.

**CITY OF BUFFALO**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET**  
**FIREFIGHTERS RELIEF ASSOCIATION PLAN**  
**LAST TEN MEASUREMENT PERIODS**

|   | Measurement Date    |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | December 31,        |                     |                     |                     |
|   | 2018                | 2017                | 2016                | 2015                |
| <b>Total Pension Liability</b>  |                     |                     |                     |                     |
| Service Cost  | \$ 65,652           | \$ 73,848           | \$ 82,609           | \$ 76,388           |
| Interest  | 83,406              | 80,258              | 71,998              | 70,260              |
| Changes in Experience   | (34,654)            | (50,068)            | -                   | -                   |
| Changes in Assumptions  | 36,728              | (881)               | (28,618)            | -                   |
| Changes of Benefit Terms  | 113,172             | -                   | -                   | -                   |
| Benefit Payments, Including Member Refunds                                  | -                   | (85,000)            | (216,977)           | (22,551)            |
| <b>NET CHANGE IN TOTAL PENSION LIABILITY</b>                                | 264,304             | 18,157              | (90,988)            | 124,097             |
| Total Pension Liability - Beginning of Year                                 | <u>1,324,440</u>    | <u>1,306,283</u>    | <u>1,397,271</u>    | <u>1,273,174</u>    |
| <b>TOTAL PENSION LIABILITY - END OF YEAR (a)</b>                            | 1,588,744           | 1,324,440           | 1,306,283           | 1,397,271           |
| <b>Plan Fiduciary Net Position</b>  |                     |                     |                     |                     |
| Municipal Contributions   | 11,095              | 9,884               | 2,500               | 2,500               |
| State Contributions   | 119,581             | 117,197             | 119,295             | 114,407             |
| Net Investment Income   | (116,981)           | 237,287             | 121,906             | (69,541)            |
| Benefit Payments  | -                   | (85,000)            | (216,977)           | (22,551)            |
| Administrative Expenses   | (11,323)            | (10,141)            | (11,374)            | (4,990)             |
| Other Changes   | -                   | 1,481               | 8,534               | 2,232               |
| <b>NET CHANGE IN FIDUCIARY NET POSITION</b>                                 | 2,372               | 270,708             | 23,884              | 22,057              |
| Fiduciary Net Position - Beginning of Year                                  | <u>1,850,992</u>    | <u>1,580,284</u>    | <u>1,556,400</u>    | <u>1,534,343</u>    |
| <b>FIDUCIARY NET POSITION - END OF YEAR (b)</b>                             | <u>1,853,364</u>    | <u>1,850,992</u>    | <u>1,580,284</u>    | <u>1,556,400</u>    |
| <b>ASSOCIATION'S NET PENSION LIABILITY/ (ASSET) - END OF YEAR (a) - (b)</b> | <u>\$ (264,620)</u> | <u>\$ (526,552)</u> | <u>\$ (274,001)</u> | <u>\$ (159,129)</u> |
| Fiduciary Net Position as a Percentage of the Total Net Pension Asset       | 116.66%             | 139.76%             | 120.98%             | 111.39%             |
| Covered-Employee Payroll  | N/A                 | N/A                 | N/A                 | N/A                 |
| Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll   | N/A                 | N/A                 | N/A                 | N/A                 |

\*Additional information will be added as it becomes available

**CITY OF BUFFALO, MINNESOTA**  
**SCHEDULE OF CITY PENSION CONTRIBUTIONS**  
**LAST TEN YEARS**

|  | <u>2019</u>        | <u>2018</u>        | <u>2017</u>        | <u>2016</u>        | <u>2015</u>        | <u>2014</u>        |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>GENERAL EMPLOYEES RETIREMENT PLAN</b>                             |                    |                    |                    |                    |                    |                    |
| Contractually Required Contribution                                  | \$ 374,706         | \$ 328,752         | \$ 320,722         | \$ 300,006         | \$ 284,732         | \$ 265,184         |
| Contributions in Relation to the Contractually Required Contribution | <u>(374,706)</u>   | <u>(328,752)</u>   | <u>(320,722)</u>   | <u>(300,006)</u>   | <u>(284,732)</u>   | <u>(265,184)</u>   |
| Contribution Deficiency (Excess)                                     | <u><u>\$ -</u></u> |
| City's Covered Payroll   | \$ 4,995,075       | \$ 4,382,887       | \$ 4,276,293       | \$ 4,000,083       | \$ 3,794,647       | \$ 3,870,990       |
| Contributions as a Percentage of Covered Payroll                     | 7.50%              | 7.50%              | 7.50%              | 7.50%              | 7.50%              | 6.85%              |
| <b>PUBLIC EMPLOYEES POLICE AND FIRE PLAN</b>                         |                    |                    |                    |                    |                    |                    |
| Contractually Required Contribution                                  | \$ 205,864         | \$ 183,432         | \$ 181,013         | \$ 168,059         | \$ 162,358         | \$ 158,513         |
| Contributions in Relation to the Contractually Required Contribution | <u>(205,864)</u>   | <u>(183,432)</u>   | <u>(181,013)</u>   | <u>(168,059)</u>   | <u>(162,358)</u>   | <u>(158,513)</u>   |
| Contribution Deficiency (Excess)                                     | <u><u>\$ -</u></u> |
| City's Covered Payroll   | \$ 1,214,536       | \$ 1,132,298       | \$ 1,117,364       | \$ 1,037,404       | \$ 1,002,211       | \$ 975,188         |
| Contributions as a Percentage of Covered Payroll                     | 16.95%             | 16.20%             | 16.20%             | 16.20%             | 16.20%             | 16.25%             |
| <b>FIRE RELIEF ASSOCIATION PLAN</b>                                  |                    |                    |                    |                    |                    |                    |
| Statutorily Required Contribution                                    | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               |
| Contributions in Relation to the Statutorily Required Contribution   | <u>-</u>           | <u>-</u>           | <u>-</u>           | <u>-</u>           | <u>-</u>           | <u>-</u>           |
| Contribution Deficiency/(Excess)                                     | <u><u>\$ -</u></u> |

\*Additional information will be added as it becomes available

**CITY OF BUFFALO, MINNESOTA**  
**SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB**  
**LIABILITY AND RELATED RATIOS**

|   | Measurement<br>Date January 1,<br>2019 | Measurement<br>Date January 1,<br>2018 |
|---|--|--|
| <b>Total OPEB Liability</b>                                   |  |  |
| Service Cost  | \$ 46,525                              | \$ 48,843                              |
| Interest Cost   | 17,926                                 | 15,962                                 |
| Changes of Assumptions  | (17,459)                               | -                                      |
| Benefit Payments  | (5,969)                                | -                                      |
| <b>Net Change in Total OPEB Liability</b>                     | <hr/> 41,023                           | <hr/> 64,805                           |
| Total OPEB Liability - Beginning                              | <hr/> 499,663                          | <hr/> 434,858                          |
| <b>Total OPEB Liability - Ending (a)</b>                      | <b><hr/>\$ 540,686</b>                 | <b><hr/>\$ 499,663</b>                 |
| Covered-Employee Payroll                                      | \$ 5,149,933                           | \$ 4,999,935                           |
| Agency's OPEB Liability as a Percentage of<br>Covered Payroll | 10.50%                                 | 9.99%                                  |

Note 1: The City implemented GASB Statement No. 75 in fiscal year 2018, and the above table will be expanded to ten years of information as the information becomes available.

Note 2: No assets are accumulated in a trust and there are no required contributions.

**CITY OF BUFFALO, MINNESOTA**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED DECEMBER 31, 2019**  
**(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2018)**

|                            | 2019               |                  |                  | 2018                          |                  |
|----------------------------|--------------------|------------------|------------------|-------------------------------|------------------|
|                            | Original<br>Budget | Final<br>Budget  | Actual           | Variance from<br>Final Budget | Actual           |
| <b>REVENUES</b>            |                    |                  |                  |                               |                  |
| Taxes:                     |                    |                  |                  |                               |                  |
| General Property Taxes     | \$ 4,755,962       | \$ 4,755,962     | \$ 4,733,896     | \$ (22,066)                   | \$ 4,325,210     |
| Other Taxes                | 2,200              | 200              | 395              | 195                           | 4,633            |
| Total Taxes                | <u>4,758,162</u>   | <u>4,756,162</u> | <u>4,734,291</u> | <u>(21,871)</u>               | <u>4,329,843</u> |
| Licenses and Permits       | 357,795            | 583,180          | 579,621          | (3,559)                       | 432,679          |
| Intergovernmental:         |                    |                  |                  |                               |                  |
| Federal Grants             | 2,300              | 2,300            | 2,800            | 500                           | 2,011            |
| State:                     |                    |                  |                  |                               |                  |
| Local Government Aid       | 853,732            | 853,732          | 853,732          | -                             | 846,345          |
| PERA Aid                   | 9,187              | 9,187            | 9,187            | -                             | 9,187            |
| Market Value Credit        | -                  | -                | 421              | 421                           | 287              |
| State Police Aid           | 140,000            | 140,000          | 153,007          | 13,007                        | 147,589          |
| State Highway Aid          | 193,000            | 204,000          | 204,594          | 594                           | 207,892          |
| Other                      | 5,000              | 15,900           | 32,450           | 16,550                        | 66,220           |
| Total Intergovernmental    | <u>1,203,219</u>   | <u>1,225,119</u> | <u>1,256,191</u> | <u>31,072</u>                 | <u>1,279,531</u> |
| Special Assessments        | 5,000              | 5,000            | 5,011            | 11                            | 5,810            |
| Charges for Services:      |                    |                  |                  |                               |                  |
| General Government         | 183,250            | 141,250          | 135,237          | (6,013)                       | 187,466          |
| Public Safety              | 83,137             | 57,437           | 57,420           | (17)                          | 72,786           |
| Streets                    | -                  | 13,900           | 9,809            | (4,091)                       | 484              |
| Culture and Recreation     | -                  | 90,000           | 129,848          | 39,848                        | 131,968          |
| Sanitation                 | 905,500            | 905,500          | 962,600          | 57,100                        | 952,871          |
| Storm Sewer                | 410,000            | 430,163          | 420,339          | (9,824)                       | 415,826          |
| Total Charges for Services | <u>1,581,887</u>   | <u>1,638,250</u> | <u>1,715,253</u> | <u>77,003</u>                 | <u>1,761,401</u> |
| Fines and Forfeits         | 32,000             | 32,000           | 35,529           | 3,529                         | 33,563           |
| Investment Earnings        | 5,500              | 30,000           | 30,719           | 719                           | 14,887           |
| Refunds/Reimbursements     | -                  | 7,000            | 6,772            | (228)                         | 11,433           |
| Grants and Contributions   | 7,500              | 7,500            | 7,580            | 80                            | 6,615            |
| Miscellaneous              | 4,000              | 4,000            | 10,159           | 6,159                         | 4,461            |
| Total Revenues             | <b>7,955,063</b>   | <b>8,288,211</b> | <b>8,381,126</b> | <b>92,915</b>                 | <b>7,880,223</b> |

*The Notes to Required Supplementary Information are an Integral Part of this Schedule.*

**CITY OF BUFFALO, MINNESOTA**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**  
**(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2018)**

|                                | 2019             |                  |                  |                            | 2018             |
|--------------------------------|------------------|------------------|------------------|----------------------------|------------------|
|                                | Original Budget  | Final Budget     | Actual           | Variance from Final Budget | Actual           |
| <b>EXPENDITURES</b>            |                  |                  |                  |                            |                  |
| General Government:            |                  |                  |                  |                            |                  |
| Mayor and Council:             |                  |                  |                  |                            |                  |
| Current:                       |                  |                  |                  |                            |                  |
| Personal Services              | \$ 71,086        | \$ 58,086        | \$ 52,713        | \$ 5,373                   | \$ 57,501        |
| Capital Lease Payments:        |                  |                  |                  |                            |                  |
| Principal                      | 410              | 410              | 414              | (4)                        | 1,232            |
| Interest                       | 1                | 5                | 1                | 4                          | 17               |
| Total Mayor and Council        | <u>71,497</u>    | <u>58,501</u>    | <u>53,128</u>    | <u>5,373</u>               | <u>58,750</u>    |
| Financial Administration:      |                  |                  |                  |                            |                  |
| Current:                       |                  |                  |                  |                            |                  |
| Salaries                       | 316,393          | 316,393          | 315,822          | 571                        | 296,898          |
| Employee Benefits              | 67,225           | 92,554           | 93,621           | (1,067)                    | 59,456           |
| Other Expenses:                |                  |                  |                  |                            |                  |
| Audit / Accounting             | 10,000           | 10,000           | 7,535            | 2,465                      | 10,945           |
| Building Permits, Surcharges   | 16,093           | 16,093           | 22,489           | (6,396)                    | 12,520           |
| Insurance                      | 12,000           | 12,000           | 11,348           | 652                        | 11,065           |
| Planning and Zoning            | 170,361          | 165,596          | 160,698          | 4,898                      | 194,259          |
| Assessor                       | 85,000           | 82,150           | 82,150           | -                          | 81,571           |
| City Attorney                  | 20,500           | 20,500           | 23,785           | (3,285)                    | 12,348           |
| City Clerk                     | -                | 49,369           | 51,387           | (2,018)                    | -                |
| Professional Services          | 10,000           | 10,000           | 10,514           | (514)                      | 29,173           |
| Elections                      | 2,500            | 2,500            | 2,473            | 27                         | 20,502           |
| Other Expense                  | 247,687          | 273,187          | 321,243          | (48,056)                   | 261,081          |
| Capital Outlay                 | 38,937           | 30,000           | -                | 30,000                     | -                |
| Total Financial Administration | <u>996,696</u>   | <u>1,080,342</u> | <u>1,103,065</u> | <u>(22,723)</u>            | <u>989,818</u>   |
| MIS:                           |                  |                  |                  |                            |                  |
| Current:                       |                  |                  |                  |                            |                  |
| Salaries                       | 104,304          | 117,000          | 114,576          | 2,424                      | 101,408          |
| Employee Benefits              | 39,354           | 42,351           | 40,746           | 1,605                      | 36,672           |
| Other Services and Charges     | 73,450           | 214,250          | 278,328          | (64,078)                   | 120,706          |
| Capital Outlay                 | 225,000          | 290,468          | 260,250          | 30,218                     | 6,831            |
| Capital Lease Payments:        |                  |                  |                  |                            |                  |
| Principal                      | 5,231            | 5,231            | 5,279            | (48)                       | 30,112           |
| Interest                       | 17               | 65               | 17               | 48                         | 221              |
| Total MIS                      | <u>447,356</u>   | <u>669,365</u>   | <u>699,196</u>   | <u>(29,831)</u>            | <u>295,950</u>   |
| Engineering:                   |                  |                  |                  |                            |                  |
| Current:                       |                  |                  |                  |                            |                  |
| Salaries                       | 68,610           | 66,500           | 67,771           | (1,271)                    | 65,731           |
| Employee Benefits              | 16,925           | 16,023           | 15,709           | 314                        | 10,339           |
| Other Services and Charges     | 11,875           | 10,610           | 8,899            | 1,711                      | 13,291           |
| Capital Outlay                 | -                | 6,000            | -                | 6,000                      | -                |
| Total Engineering              | <u>97,410</u>    | <u>99,133</u>    | <u>92,379</u>    | <u>6,754</u>               | <u>89,361</u>    |
| Transportation:                |                  |                  |                  |                            |                  |
| Current:                       |                  |                  |                  |                            |                  |
| Salaries                       | -                | -                | -                | -                          | 820              |
| Employee Benefits              | -                | -                | -                | -                          | 108              |
| Other Services and Charges     | 42,400           | 10,600           | 8,395            | 2,205                      | 64,467           |
| Total Transportation           | <u>42,400</u>    | <u>10,600</u>    | <u>8,395</u>     | <u>2,205</u>               | <u>65,395</u>    |
| Total General Government       | <u>1,655,359</u> | <u>1,917,941</u> | <u>1,956,163</u> | <u>(38,222)</u>            | <u>1,499,274</u> |

*The Notes to Required Supplementary Information are an Integral Part of this Schedule.*

**CITY OF BUFFALO, MINNESOTA**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**  
**(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018)**

|   | 2019            |                  |                     | 2018                       |                     |
|---|-----------------|------------------|---------------------|----------------------------|---------------------|
|   | Original Budget | Final Budget     | Actual              | Variance from Final Budget | Actual              |
| <b>EXPENDITURES (CONTINUED)</b>           |                 |                  |                     |                            |                     |
| Public Safety:                            |                 |                  |                     |                            |                     |
| Police Protection:                        |                 |                  |                     |                            |                     |
| Current:                                  |                 |                  |                     |                            |                     |
| Office Wages and Benefits                 | \$ 266,959      | \$ 261,448       | \$ 261,754          | \$ (306)                   | \$ 255,441          |
| Officer Wages and Benefits                | 1,666,643       | 1,724,062        | 1,755,411           | (31,349)                   | 1,607,097           |
| Training                                  | 10,300          | 10,300           | 8,550               | 1,750                      | 11,010              |
| Legal Fees                                | 65,000          | 58,000           | 50,884              | 7,116                      | 63,770              |
| Other Services and Charges                | 275,565         | 324,737          | 290,313             | 34,424                     | 303,170             |
| Capital Outlay                            | 96,322          | 126,533          | 121,240             | 5,293                      | 56,092              |
| Capital Lease Payments:                   |                 |                  |                     |                            |                     |
| Principal                                 | 42,137          | 42,137           | 41,678              | 459                        | 63,231              |
| Interest                                  | 11,177          | 18,481           | 18,419              | 62                         | 1,025               |
| Total Police                              | 2,434,103       | 2,565,698        | 2,548,249           | 17,449                     | 2,360,836           |
| Fire Protection                           | 440,465         | 440,465          | 443,825             | (3,360)                    | 393,129             |
| Civil Defense                             | 2,850           | 350              | 306                 | 44                         | 3,842               |
| Building Inspections                      | 150,000         | 150,000          | 251,519             | (101,519)                  | 215,047             |
| Total Public Safety                       | 3,027,418       | 3,156,513        | 3,243,899           | (87,386)                   | 2,972,854           |
| Public Works:                             |                 |                  |                     |                            |                     |
| Street Department:                        |                 |                  |                     |                            |                     |
| Current:                                  |                 |                  |                     |                            |                     |
| Employee Benefits                         | 155,376         | 155,279          | 138,785             | 16,494                     | 119,179             |
| Street Maintenance                        | 635,664         | 605,586          | 554,380             | 51,206                     | 553,676             |
| Storm Sewer Maintenance                   | 112,496         | 77,496           | 66,661              | 10,835                     | 81,092              |
| Snow and Ice Removal                      | 74,848          | 132,423          | 159,728             | (27,305)                   | 87,059              |
| Other                                     | 569,501         | 545,761          | 528,485             | 17,276                     | 520,463             |
| Capital Outlay - Equipment                | -               | -                | -                   | -                          | 44,166              |
| Capital Outlay - Streets                  | 271,500         | 248,000          | 247,919             | 81                         | 49,901              |
| Capital Lease Payments:                   |                 |                  |                     |                            |                     |
| Principal                                 | 30,416          | 28,558           | 30,414              | (1,856)                    | 106,970             |
| Interest                                  | 65,958          | 67,816           | 66,199              | 1,617                      | 7,600               |
| Total Public Works                        | 1,915,759       | 1,860,919        | 1,792,571           | 68,348                     | 1,570,106           |
| Sanitation:                               |                 |                  |                     |                            |                     |
| Current                                   | 918,050         | 936,720          | 930,813             | 5,907                      | 912,767             |
| Capital Lease Payments:                   |                 |                  |                     |                            |                     |
| Principal                                 | -               | -                | -                   | -                          | 877                 |
| Interest                                  | -               | -                | -                   | -                          | 7                   |
| Total Sanitation                          | 918,050         | 936,720          | 930,813             | 5,907                      | 913,651             |
| Total Public Works                        | 2,833,809       | 2,797,639        | 2,723,384           | 74,255                     | 2,483,757           |
| Total Expenditures                        | 7,516,586       | 7,872,093        | 7,923,446           | (51,353)                   | 6,955,885           |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b> |                 |                  |                     |                            |                     |
|   | 438,477         | 416,118          | 457,680             | 41,562                     | 924,338             |
| <b>OTHER FINANCING SOURCES (USES)</b>     |                 |                  |                     |                            |                     |
| Proceeds from Sale of Capital Assets      | -               | 405,000          | 422,320             | 17,320                     | 14,417              |
| Capital Lease Proceeds                    | 547,000         | 342,000          | 342,893             | 893                        | 64,540              |
| Transfer In                               | 900,000         | 900,000          | 900,000             | -                          | 900,305             |
| Transfer Out                              | (1,885,477)     | (2,014,875)      | (1,414,909)         | 599,966                    | (779,010)           |
| Total Other Financing Sources (Uses)      | (438,477)       | (367,875)        | 250,304             | 618,179                    | 200,252             |
| <b>NET CHANGE IN FUND BALANCE</b>         | <b>\$ -</b>     | <b>\$ 48,243</b> | <b>707,984</b>      | <b>\$ 659,741</b>          | <b>1,124,590</b>    |
| Fund Balance - Beginning of Year          |                 |                  | 6,111,583           |                            | 4,986,993           |
| <b>FUND BALANCE - END OF YEAR</b>         |                 |                  | <b>\$ 6,819,567</b> |                            | <b>\$ 6,111,583</b> |

*The Notes to Required Supplementary Information are an Integral Part of this Schedule.*

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**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2019**

**NOTE 1 BASIS OF ACCOUNTING**

The General Fund budgetary comparison schedule is prepared on a budgetary basis of accounting. See Note 3 of the Notes to Required Supplementary Information for a reconciliation of the General Fund Budgetary Comparison Schedule to the Statement of Revenues, Expenditures, and Changes in Fund Balances.

**NOTE 2 BUDGETARY INFORMATION**

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

1. Prior to September 1, the City administrator submits to the City council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in the council chambers at City Hall to obtain taxpayer comments, and the final budget is adopted and the tax levy certified.
3. The City administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City council. Reported budget amounts are final, as amended by the City council in 2019.
4. The City has legally adopted budgets for the general fund, certain special revenue funds, and some enterprise funds. Formal budgetary integration is not employed for the capital projects and debt service funds. Expenditures may not legally exceed budgeted appropriations at the total fund level. Monitoring of budgets is maintained at the expenditure category level (i.e., personal services, supplies, capital outlay, etc.) within each program. All amounts over budget have been approved by the City council through the disbursement process. The City is not legally required to adopt an annual budget for the capital projects or debt service funds.
5. Budgeted amounts are as originally adopted, or as amended by the City council. All annual appropriations lapse at fiscal year-end.
6. The City did not have any departments that were over budget in the current year.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**DECEMBER 31, 2019**

**NOTE 3 BUDGETARY COMPARISON SCHEDULE RECONCILIATION**

For external reporting purposes, the general fund includes revenues, expenditures, other financing sources and uses, and fund balances of other internally maintained funds. The General Fund, however, is budgeted based on the internally maintained General Fund. Therefore, the following reconciliation is necessary to reconcile the General Fund Budgetary Comparison Schedule to the Statement of Revenues, Expenditures, and Changes in Fund Balances.

|   | General Fund        |                     |                              |                        |                     |
|---|---------------------|---------------------|------------------------------|------------------------|---------------------|
|   | Total Revenues      | Total Expenditures  | Other Financing Sources/Uses | Beginning Fund Balance | Ending Fund Balance |
| Statement of Revenues, Expenditures, and Changes in Fund Balance                      | \$ 8,536,729        | \$ 9,140,092        | \$ 805,594                   | \$ 5,045,580           | \$ 5,247,811        |
| Funds Included in General Fund for GASB Statement No. 54 Purposes:                    |                     |                     |                              |                        |                     |
| Park Fund   | (132,089)           | (1,025,439)         | (555,290)                    | 921,430                | 1,259,490           |
| Community Center Fund   | <u>(23,514)</u>     | <u>(191,207)</u>    | <u>-</u>                     | <u>144,573</u>         | <u>312,266</u>      |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual | <u>\$ 8,381,126</u> | <u>\$ 7,923,446</u> | <u>\$ 250,304</u>            | <u>\$ 6,111,583</u>    | <u>\$ 6,819,567</u> |

**NOTE 4 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS AND ASSUMPTIONS**

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

**A. General Employees Fund**

**2019**

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

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

**2018**

**Changes in Actuarial Assumptions**

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% 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.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**DECEMBER 31, 2019**

**NOTE 4 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)**

A. General Employees Fund (Continued)

2018 (Continued)

Changes in Plan Provisions (Continued)

- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, 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 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, 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 in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA load are now 0.0% for active member liability, 15% for vested deferred member liability, and 3.0% for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.0% per year for all years to 1.0% per year through 2044 and 2.5% 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 in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 7.5%.
- 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% to 3.25% for payroll growth and 2.5% for inflation.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**DECEMBER 31, 2019**

**NOTE 4 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)**

A. General Employees Fund (Continued)

2016 (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

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.

B. Police and Fire Fund

2019

Changes in Actuarial Assumptions

- The morality 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 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 1.0% 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% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.8% to 11.3% of pay, effective January 1, 2019 and 11.8% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.2% to 16.95% of pay, effective January 1, 2019 and 17.7% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**DECEMBER 31, 2019**

**NOTE 4 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)**

B. Police and Fire Fund (Continued)

2018 (Continued)

Changes in Plan Provisions (Continued)

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

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% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30% for vested and non-vested, deferred members. The CSA has been changed to 33% for vested members and 2.0% 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 3.0% 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% to 60%.
- 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 1.0% for all years to 1.0% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**DECEMBER 31, 2019**

**NOTE 4 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)**

B. Police and Fire Fund (Continued)

2016

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%.
- The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.5% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.

Changes in Plan Provisions

- The postretirement benefit increase to be paid after the attainment of the 90% funding threshold was changed from inflation up to 2.5%, to a fixed rate of 2.5%.

## **SUPPLEMENTARY INFORMATION**



**COMBINING AND INDIVIDUAL NONMAJOR GOVERNMENTAL  
FUND FINANCIAL STATEMENTS**

**CITY OF BUFFALO, MINNESOTA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2019**  
**(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2018)**

|   | 2019                       |                   |                   |                         |
|---|----------------------------|-------------------|-------------------|-------------------------|
|   | Revolving<br>Grant<br>Fund | Fire<br>Fund      | Library<br>Fund   | Civic<br>Center<br>Fund |
| <b>ASSETS</b>   |                            |                   |                   |                         |
| Cash and Investments  | \$ -                       | \$ 521,050        | \$ 126,082        | \$ -                    |
| Taxes Receivable  |                            |                   |                   |                         |
| Delinquent  | - -                        | - -               | 799               | - -                     |
| Accounts Receivable   | - -                        | 13                | - -               | 120,809                 |
| Due from Other Governmental Units   | - -                        | 1,600             | 648               | 12,031                  |
| Inventory   | - -                        | - -               | - -               | - -                     |
| Prepaid Items   | - -                        | 23                | - -               | 4,028                   |
| Loans Receivable, Net of Allowance  | 6,051                      | - -               | - -               | - -                     |
| Land Held for Resale  | - -                        | - -               | - -               | - -                     |
| <b>Total Assets</b>   | <b>\$ 6,051</b>            | <b>\$ 522,686</b> | <b>\$ 127,529</b> | <b>\$ 136,868</b>       |
| <b>LIABILITIES, DEFERRED INFLOW OF<br/>RESOURCES, AND FUND BALANCE (DEFICIT)</b>        |                            |                   |                   |                         |
| <b>LIABILITIES</b>  |                            |                   |                   |                         |
| Accounts and Contracts Payable  | \$ - -                     | \$ 29,029         | \$ 3,593          | \$ 40,562               |
| Other Accrued Liabilities   | - -                        | 34,206            | 67                | 16,242                  |
| Advance From Other Funds  | - -                        | - -               | - -               | 2,396,378               |
| Due to Other Governments  | - -                        | 2                 | - -               | - -                     |
| Unearned Revenue  | - -                        | - -               | - -               | 200                     |
| Deposits - Escrow   | - -                        | - -               | - -               | - -                     |
| <b>Total Liabilities</b>  | <b>- -</b>                 | <b>63,237</b>     | <b>3,660</b>      | <b>2,453,382</b>        |
| <b>DEFERRED INFLOW OF RESOURCES</b>   |                            |                   |                   |                         |
| Unavailable Taxes   | - -                        | - -               | 799               | - -                     |
| Unavailable Loans Receivables   | 6,051                      | - -               | - -               | - -                     |
| <b>Total Deferred Inflow of Resources</b>   | <b>6,051</b>               | <b>- -</b>        | <b>799</b>        | <b>- -</b>              |
| <b>FUND BALANCES (DEFICIT)</b>  |                            |                   |                   |                         |
| Nonspendable  | - -                        | 23                | - -               | 4,028                   |
| Committed   | - -                        | 459,426           | 123,070           | - -                     |
| Unassigned  | - -                        | - -               | - -               | (2,320,542)             |
| <b>Total Fund Balances (Deficit)</b>  | <b>- -</b>                 | <b>459,449</b>    | <b>123,070</b>    | <b>(2,316,514)</b>      |
| <b>Total Liabilities, Deferred Inflow of<br/>Resources, and Fund Balances (Deficit)</b> | <b>\$ 6,051</b>            | <b>\$ 522,686</b> | <b>\$ 127,529</b> | <b>\$ 136,868</b>       |

| The HRA<br>of Buffalo<br>Fund | Airport<br>Fund          | 2019<br>Total              | 2018<br>Total              |
|-------------------------------|--------------------------|----------------------------|----------------------------|
| \$ 232,585                    | \$ 57,939                | \$ 937,656                 | \$ 949,520                 |
| 2,202                         | 81                       | 3,082                      | 2,349                      |
| 7,750                         | 265                      | 128,837                    | 73,229                     |
| 1,907                         | 168,893                  | 185,079                    | 89,425                     |
| -                             | 12,433                   | 12,433                     | 12,534                     |
| -                             | -                        | 4,051                      | 3,837                      |
| 20,568                        | -                        | 26,619                     | 45,840                     |
| <u>214,400</u>                | <u>-</u>                 | <u>214,400</u>             | <u>230,259</u>             |
| <u><b>\$ 479,412</b></u>      | <u><b>\$ 239,611</b></u> | <u><b>\$ 1,512,157</b></u> | <u><b>\$ 1,406,993</b></u> |
| <br>                          |                          |                            |                            |
| \$ 10,008                     | \$ 29,777                | \$ 112,969                 | \$ 123,418                 |
| -                             | 1,779                    | 52,294                     | 41,291                     |
| -                             | -                        | 2,396,378                  | 2,372,222                  |
| -                             | -                        | 2                          | -                          |
| -                             | -                        | 200                        | 35,120                     |
| <u>3,571</u>                  | <u>-</u>                 | <u>3,571</u>               | <u>3,571</u>               |
| <u>13,579</u>                 | <u>31,556</u>            | <u>2,565,414</u>           | <u>2,575,622</u>           |
| <br>                          |                          |                            |                            |
| 2,202                         | 81                       | 3,082                      | 2,349                      |
| <u>20,568</u>                 | <u>-</u>                 | <u>26,619</u>              | <u>45,840</u>              |
| <u>22,770</u>                 | <u>81</u>                | <u>29,701</u>              | <u>48,189</u>              |
| <br>                          |                          |                            |                            |
| 214,400                       | 12,433                   | 230,884                    | 246,630                    |
| 228,663                       | 195,541                  | 1,006,700                  | 879,494                    |
| -                             | -                        | (2,320,542)                | (2,342,942)                |
| <u>443,063</u>                | <u>207,974</u>           | <u>(1,082,958)</u>         | <u>(1,216,818)</u>         |
| <br>                          |                          |                            |                            |
| <u><b>\$ 479,412</b></u>      | <u><b>\$ 239,611</b></u> | <u><b>\$ 1,512,157</b></u> | <u><b>\$ 1,406,993</b></u> |

**CITY OF BUFFALO, MINNESOTA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE**  
**YEAR ENDED DECEMBER 31, 2019**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)**

|   | 2019                       |                   |                   |                         |
|---|----------------------------|-------------------|-------------------|-------------------------|
|   | Revolving<br>Grant<br>Fund | Fire<br>Fund      | Library<br>Fund   | Civic<br>Center<br>Fund |
| <b>REVENUE</b>  |                            |                   |                   |                         |
| General Property Taxes  | \$ -                       | \$ -              | \$ 80,770         | \$ -                    |
| Tax Increments  | - -                        | - -               | - -               | - -                     |
| Intergovernmental   | - -                        | 129,268           | - -               | - -                     |
| Charges for Services  | - -                        | 660,906           | - -               | 533,853                 |
| Investment Earnings (Loss)  | - -                        | 1,947             | 666               | (12,311)                |
| Refunds and Reimbursements  | - -                        | 30,965            | 3,376             | 1,076                   |
| Grants and Contributions  | - -                        | 10                | - -               | 51,988                  |
| Miscellaneous   | - -                        | - -               | - -               | 1,300                   |
| Total Revenue   | - -                        | 823,096           | 84,812            | 575,906                 |
| <b>EXPENDITURES</b>   |                            |                   |                   |                         |
| Current:  |                            |                   |                   |                         |
| Public Safety   | - -                        | 469,170           | - -               | - -                     |
| Culture and Recreation  | - -                        | - -               | 78,150            | 869,361                 |
| Community Development   | - -                        | - -               | - -               | - -                     |
| Capital Outlay:   |                            |                   |                   |                         |
| Public Safety   | - -                        | 702,530           | - -               | - -                     |
| Culture and Recreation  | - -                        | - -               | 58,690            | 77,511                  |
| Community Development   | - -                        | - -               | - -               | - -                     |
| Capital Leases:   |                            |                   |                   |                         |
| Principal   | - -                        | 167,974           | - -               | 6,335                   |
| Interest and Fiscal Charges   | - -                        | 19,688            | - -               | 85                      |
| Total Expenditures  | - -                        | 1,359,362         | 136,840           | 953,292                 |
| <b>EXCESS (DEFICIENCY) OF REVENUE<br/>OVER (UNDER) EXPENDITURES</b> | - -                        | (536,266)         | (52,028)          | (377,386)               |
| <b>OTHER FINANCING SOURCES (USES)</b>                               |                            |                   |                   |                         |
| Transfer In   | - -                        | - -               | 15,000            | 400,000                 |
| Transfer Out  | - -                        | - -               | - -               | - -                     |
| Proceeds from Sale of Capital Assets                                | - -                        | - -               | - -               | - -                     |
| Capital Lease Proceeds  | - -                        | 685,567           | - -               | - -                     |
| Total Other Financing Sources (Uses)                                | - -                        | 685,567           | 15,000            | 400,000                 |
| <b>NET CHANGE IN FUND BALANCE</b>                                   | - -                        | 149,301           | (37,028)          | 22,614                  |
| Fund Balance (Deficit) - Beginning of Year                          | - -                        | 310,148           | 160,098           | (2,339,128)             |
| <b>FUND BALANCE (DEFICIT) - END OF YEAR</b>                         | <b>\$ -</b>                | <b>\$ 459,449</b> | <b>\$ 123,070</b> | <b>\$ (2,316,514)</b>   |

| The HRA<br>of Buffalo<br>Fund | Airport<br>Fund   | 2019<br>Total         | 2018<br>Total         |
|-------------------------------|-------------------|-----------------------|-----------------------|
| \$ 242,229                    | \$ -              | \$ 322,999            | \$ 309,693            |
| 97,572                        | -                 | 97,572                | 96,045                |
| -                             | 325,164           | 454,432               | 171,578               |
| 8,549                         | 285,914           | 1,489,222             | 1,514,636             |
| 1,119                         | 824               | (7,755)               | (2,002)               |
| 300                           | -                 | 35,717                | 20,319                |
| -                             | -                 | 51,998                | 50,510                |
| -                             | -                 | 1,300                 | 1,814                 |
| <u>349,769</u>                | <u>611,902</u>    | <u>2,445,485</u>      | <u>2,162,593</u>      |
|                               |                   |                       |                       |
| -                             | -                 | 469,170               | 415,089               |
| -                             | 301,662           | 1,249,173             | 1,120,584             |
| <u>173,874</u>                | <u>-</u>          | <u>173,874</u>        | <u>190,395</u>        |
|                               |                   |                       |                       |
| -                             | -                 | 702,530               | -                     |
| -                             | 370,300           | 506,501               | 107,351               |
| -                             | -                 | -                     | 80,472                |
| -                             | -                 | 174,309               | 77,657                |
| -                             | -                 | 19,773                | 2,750                 |
| <u>173,874</u>                | <u>671,962</u>    | <u>3,295,330</u>      | <u>1,994,298</u>      |
|                               |                   |                       |                       |
| 175,895                       | (60,060)          | (849,845)             | 168,295               |
|                               |                   |                       |                       |
| -                             | 50,000            | 465,000               | 535,000               |
| (262,187)                     | (13,845)          | (276,032)             | (1,670,801)           |
| 109,170                       | -                 | 109,170               | -                     |
| -                             | -                 | 685,567               | -                     |
| <u>(153,017)</u>              | <u>36,155</u>     | <u>983,705</u>        | <u>(1,135,801)</u>    |
|                               |                   |                       |                       |
| 22,878                        | (23,905)          | 133,860               | (967,506)             |
|                               |                   |                       |                       |
| <u>420,185</u>                | <u>231,879</u>    | <u>(1,216,818)</u>    | <u>(249,312)</u>      |
|                               |                   |                       |                       |
| <u>\$ 443,063</u>             | <u>\$ 207,974</u> | <u>\$ (1,082,958)</u> | <u>\$ (1,216,818)</u> |

**CITY OF BUFFALO, MINNESOTA**  
**FIRE SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED DECEMBER 31, 2019**

(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2018)

|   | 2019               |                   |                   |                         | 2018               |
|---|--------------------|-------------------|-------------------|-------------------------|--------------------|
|   | Original<br>Budget | Final<br>Budget   | Actual            | Variance with<br>Budget | Actual             |
| <b>REVENUES</b>   |                    |                   |                   |                         |                    |
| Fire Contracts and Charges  | \$ 660,906         | \$ 660,906        | \$ 660,906        | \$ -                    | \$ 601,922         |
| Intergovernmental:  |                    |                   |                   |                         |                    |
| State Aid and Grants  | 116,500            | 116,500           | 129,268           | 12,768                  | 122,781            |
| Grants and Contributions  | -                  | -                 | 10                | 10                      | 10                 |
| Investment Earnings   | 2,000              | 2,000             | 1,947             | (53)                    | 3,965              |
| Refunds and Reimbursements  | -                  | 30,552            | 30,965            | 413                     | -                  |
| Total Revenues  | <u>779,406</u>     | <u>809,958</u>    | <u>823,096</u>    | <u>13,138</u>           | <u>728,678</u>     |
| <b>EXPENDITURES</b>   |                    |                   |                   |                         |                    |
| Public Safety:  |                    |                   |                   |                         |                    |
| Fire Relief   | 115,000            | 115,000           | 123,268           | (8,268)                 | 120,581            |
| Wages and Benefits  | 113,085            | 113,085           | 111,944           | 1,141                   | 105,242            |
| Truck Expense   | 10,000             | 10,000            | 2,576             | 7,424                   | 3,608              |
| Supplies  | 36,825             | 36,825            | 15,682            | 21,143                  | 33,440             |
| Repairs and Maintenance   | 43,555             | 93,555            | 94,051            | (496)                   | 37,462             |
| Radio and Telephone   | 12,000             | 12,000            | 12,988            | (988)                   | 12,307             |
| Utilities   | 20,000             | 20,000            | 17,222            | 2,778                   | 19,694             |
| Insurance   | 55,000             | 55,000            | 48,955            | 6,045                   | 53,073             |
| Training  | 9,000              | 14,000            | 16,076            | (2,076)                 | 9,167              |
| Other   | 30,950             | 30,950            | 26,408            | 4,542                   | 20,515             |
| Capital Outlay  | 685,546            | 691,000           | 702,530           | (11,530)                | -                  |
| Capital Lease   |                    |                   |                   |                         |                    |
| Principal   | 172,780            | 172,780           | 167,974           | 4,806                   | 71,416             |
| Interest  | 11,211             | 11,211            | 19,688            | (8,477)                 | 2,571              |
| Total Expenditures  | <u>1,314,952</u>   | <u>1,375,406</u>  | <u>1,359,362</u>  | <u>16,044</u>           | <u>489,076</u>     |
| <b>EXCESS (DEFICIENCY) OF REVENUE AND OVER (UNDER) EXPENDITURES</b> |                    |                   |                   |                         |                    |
|   | (535,546)          | (565,448)         | (536,266)         | 29,182                  | 239,602            |
| <b>OTHER FINANCING SOURCES (USES)</b>                               |                    |                   |                   |                         |                    |
| Transfer Out  | (150,000)          | -                 | -                 | -                       | (1,450,000)        |
| Capital Lease Proceeds  | 685,546            | 685,546           | 685,567           | 21                      | -                  |
| Total Other Financing Sources                                       | <u>535,546</u>     | <u>685,546</u>    | <u>685,567</u>    | <u>21</u>               | <u>(1,450,000)</u> |
| <b>NET CHANGE IN FUND BALANCE</b>                                   |                    |                   |                   |                         |                    |
|   | <u>\$ -</u>        | <u>\$ 120,098</u> | 149,301           | <u>\$ 29,203</u>        | <u>(1,210,398)</u> |
| Fund Balance - Beginning of Year                                    |                    |                   | 310,148           |                         | 1,520,546          |
| <b>FUND BALANCE - END OF YEAR</b>                                   |                    |                   |                   |                         |                    |
|   |                    |                   | <u>\$ 459,449</u> |                         | <u>\$ 310,148</u>  |

**CITY OF BUFFALO, MINNESOTA**  
**LIBRARY SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED DECEMBER 31, 2019**

(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2018)

|  | 2019                   |                           |                          |                               | 2018                     |
|--|------------------------|---------------------------|--------------------------|-------------------------------|--------------------------|
|  | Original<br>Budget     | Final<br>Budget           | Actual                   | Variance from<br>Final Budget | Actual                   |
| <b>REVENUES</b>  |                        |                           |                          |                               |                          |
| General Property Taxes   | \$ 80,628              | \$ 80,628                 | \$ 80,770                | \$ 142                        | \$ 81,056                |
| Investment Earnings  | 200                    | 200                       | 666                      | 466                           | 449                      |
| Refunds and Reimbursements   | -                      | -                         | 3,376                    | 3,376                         | 863                      |
| Total Revenues   | <u>80,828</u>          | <u>80,828</u>             | <u>84,812</u>            | <u>3,984</u>                  | <u>82,368</u>            |
| <b>EXPENDITURES</b>  |                        |                           |                          |                               |                          |
| Culture and Recreation:  |                        |                           |                          |                               |                          |
| Wages and Benefits   | 2,782                  | 2,782                     | 1,916                    | 866                           | 1,905                    |
| Supplies and Maintenance   | 42,000                 | 44,250                    | 44,360                   | (110)                         | 46,009                   |
| Insurance  | 1,200                  | 1,200                     | 1,173                    | 27                            | 1,139                    |
| Telephone  | 750                    | 750                       | 561                      | 189                           | 548                      |
| Utilities  | 32,000                 | 30,000                    | 26,875                   | 3,125                         | 29,144                   |
| Other  | 5,000                  | 5,000                     | 3,265                    | 1,735                         | 4,210                    |
| Capital Outlay - Equipment   | <u>71,770</u>          | <u>69,020</u>             | <u>58,690</u>            | <u>10,330</u>                 | <u>-</u>                 |
| Total Expenditures   | <u>155,502</u>         | <u>153,002</u>            | <u>136,840</u>           | <u>16,162</u>                 | <u>82,955</u>            |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | (74,674)               | (72,174)                  | (52,028)                 | 20,146                        | (587)                    |
| <b>OTHER FINANCING SOURCES</b>                                       |                        |                           |                          |                               |                          |
| Transfers in from General Fund                                       | 15,000                 | 15,000                    | 15,000                   | -                             | 15,000                   |
| Capital Lease Proceeds   | 62,000                 | -                         | -                        | -                             | -                        |
| Total Other Financing Sources  | <u>77,000</u>          | <u>15,000</u>             | <u>15,000</u>            | <u>-</u>                      | <u>15,000</u>            |
| <b>NET CHANGE IN FUND BALANCE</b>                                    | <u><u>\$ 2,326</u></u> | <u><u>\$ (57,174)</u></u> | <u><u>(37,028)</u></u>   | <u><u>\$ 20,146</u></u>       | <u><u>14,413</u></u>     |
| Fund Balance - Beginning of Year                                     |                        |                           | 160,098                  |                               | 145,685                  |
| <b>FUND BALANCE - END OF YEAR</b>                                    |                        |                           | <u><u>\$ 123,070</u></u> |                               | <u><u>\$ 160,098</u></u> |

**CITY OF BUFFALO, MINNESOTA**  
**CIVIC CENTER SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED DECEMBER 31, 2019**

(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2018)

|   | 2019                     |                         |                              | 2018                       |                              |
|---|--------------------------|-------------------------|------------------------------|----------------------------|------------------------------|
|   | Original Budget          | Final Budget            | Actual                       | Variance from Final Budget | Actual                       |
| <b>REVENUES</b>                                     |                          |                         |                              |                            |                              |
| Charges for Services:                               |                          |                         |                              |                            |                              |
| Ice Time  | \$ 460,000               | \$ 460,000              | \$ 453,515                   | \$ (6,485)                 | \$ 518,520                   |
| Building Rent                                       | 25,000                   | 25,000                  | 22,737                       | (2,263)                    | 27,704                       |
| Lease Payment                                       | 40,000                   | 40,000                  | 40,000                       | -                          | 40,000                       |
| Gate Receipts and Concessions                       | 12,400                   | 12,400                  | 8,829                        | (3,571)                    | 10,249                       |
| Other   | 10,000                   | 10,000                  | 8,772                        | (1,228)                    | 12,425                       |
| Grants and Contributions                            | 50,000                   | 50,000                  | 51,988                       | 1,988                      | 50,500                       |
| Investment Earnings (Loss)                          | (6,100)                  | (13,000)                | (12,311)                     | 689                        | (8,224)                      |
| Refunds and Reimbursements                          | -                        | -                       | 1,076                        | 1,076                      | 13,456                       |
| Miscellaneous                                       | 1,000                    | 1,000                   | 1,300                        | 300                        | 1,814                        |
| Total Revenues                                      | <u>592,300</u>           | <u>585,400</u>          | <u>575,906</u>               | <u>(9,494)</u>             | <u>666,444</u>               |
| <b>EXPENDITURES</b>                                 |                          |                         |                              |                            |                              |
| Culture and Recreation:                             |                          |                         |                              |                            |                              |
| Wages and Benefits                                  | 243,997                  | 243,997                 | 257,306                      | (13,309)                   | 239,896                      |
| Maintenance and Repair                              | 48,000                   | 158,000                 | 142,848                      | 15,152                     | 32,932                       |
| Utilities   | 200,000                  | 190,000                 | 178,684                      | 11,316                     | 199,801                      |
| Other   | 37,975                   | 42,975                  | 42,881                       | 94                         | 36,077                       |
| Insurance   | 11,000                   | 13,750                  | 13,159                       | 591                        | 10,126                       |
| Lease Rent Payments                                 | 234,483                  | 234,483                 | 234,483                      | -                          | 235,725                      |
| Capital Outlay                                      | 38,000                   | 77,511                  | 77,511                       | -                          | 84,060                       |
| Capital Lease                                       |                          |                         |                              |                            |                              |
| Principal   | 6,165                    | 6,165                   | 6,335                        | (170)                      | 6,241                        |
| Interest  | 105                      | 105                     | 85                           | 20                         | 179                          |
| Total Expenditures                                  | <u>819,725</u>           | <u>966,986</u>          | <u>953,292</u>               | <u>13,694</u>              | <u>845,037</u>               |
| <b>DEFICIENCY OF REVENUES<br/>OVER EXPENDITURES</b> | <b>(227,425)</b>         | <b>(381,586)</b>        | <b>(377,386)</b>             | <b>4,200</b>               | <b>(178,593)</b>             |
| <b>OTHER FINANCING SOURCES</b>                      |                          |                         |                              |                            |                              |
| Transfer In   | <u>400,000</u>           | <u>400,000</u>          | <u>400,000</u>               | <u>-</u>                   | <u>470,000</u>               |
| <b>NET CHANGE IN FUND BALANCE</b>                   | <b><u>\$ 172,575</u></b> | <b><u>\$ 18,414</u></b> | <b><u>22,614</u></b>         | <b><u>\$ 4,200</u></b>     | <b><u>291,407</u></b>        |
| Fund Deficit - Beginning of Year                    |                          |                         | <u>(2,339,128)</u>           |                            | <u>(2,630,535)</u>           |
| <b>FUND DEFICIT - END OF YEAR</b>                   |                          |                         | <b><u>\$ (2,316,514)</u></b> |                            | <b><u>\$ (2,339,128)</u></b> |

**CITY OF BUFFALO, MINNESOTA**  
**AIRPORT SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED DECEMBER 31, 2019**

(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2018)

|   | 2019                    |                         |                          | Variance from<br>Final Budget | 2018                     |
|---|-------------------------|-------------------------|--------------------------|-------------------------------|--------------------------|
|   | Original<br>Budget      | Final<br>Budget         | Actual                   |                               |                          |
| <b>REVENUES</b>                                 |                         |                         |                          |                               |                          |
| Intergovernmental:                              |                         |                         |                          |                               |                          |
| Federal Grants                                  | \$ 308,000              | \$ 308,000              | \$ 276,116               | \$ (31,884)                   | \$ 326                   |
| State Aid and Grants                            | 32,382                  | 32,382                  | 49,048                   | 16,666                        | 48,471                   |
| Total Intergovernmental                         | <u>340,382</u>          | <u>340,382</u>          | <u>325,164</u>           | <u>(15,218)</u>               | <u>48,797</u>            |
| Charges for Services                            | 275,415                 | 275,415                 | 285,914                  | 10,499                        | 265,357                  |
| Investment Earnings (Loss)                      | 100                     | 100                     | 824                      | 724                           | 468                      |
| Total Revenues                                  | <u>615,897</u>          | <u>615,897</u>          | <u>611,902</u>           | <u>(3,995)</u>                | <u>314,622</u>           |
| <b>EXPENDITURES</b>                             |                         |                         |                          |                               |                          |
| Culture and Recreation:                         |                         |                         |                          |                               |                          |
| Wages and Benefits                              | 40,879                  | 42,606                  | 45,430                   | (2,824)                       | 37,655                   |
| Other   | 255,400                 | 260,550                 | 256,232                  | 4,318                         | 245,417                  |
| Capital Outlay                                  | 358,000                 | 330,825                 | 370,300                  | (39,475)                      | 23,291                   |
| Total Expenditures                              | <u>654,279</u>          | <u>633,981</u>          | <u>671,962</u>           | <u>(37,981)</u>               | <u>306,363</u>           |
| <b>EXCESS OF REVENUES<br/>OVER EXPENDITURES</b> | <b>(38,382)</b>         | <b>(18,084)</b>         | <b>(60,060)</b>          | <b>(41,976)</b>               | <b>8,259</b>             |
| <b>OTHER FINANCING SOURCES</b>                  |                         |                         |                          |                               |                          |
| Transfer In                                     | 50,000                  | 50,000                  | 50,000                   | -                             | 50,000                   |
| Transfer Out                                    | -                       | (20,000)                | (13,845)                 | 6,155                         | -                        |
| Total Other Financing Sources (Uses)            | <u>50,000</u>           | <u>30,000</u>           | <u>36,155</u>            | <u>6,155</u>                  | <u>50,000</u>            |
| <b>NET CHANGE IN FUND BALANCE</b>               | <b><u>\$ 11,618</u></b> | <b><u>\$ 11,916</u></b> | <b><u>(23,905)</u></b>   | <b><u>\$ (35,821)</u></b>     | <b><u>58,259</u></b>     |
| Fund Balance - Beginning of Year                |                         |                         | 231,879                  |                               | 173,620                  |
| <b>FUND BALANCE - END OF YEAR</b>               |                         |                         | <b><u>\$ 207,974</u></b> |                               | <b><u>\$ 231,879</u></b> |

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**OTHER SUPPLEMENTARY INFORMATION  
(UNAUDITED)**



**CITY OF BUFFALO, MINNESOTA**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**DECEMBER 31, 2019**  
**(UNAUDITED)**

|   |                         |
|---|-------------------------|
| Market Valuation  | <u>\$ 1,314,435,400</u> |
| Debt Limit - 3% of Market Valuation   | \$ 39,433,062           |
| Total Indebtedness  | <u>\$ 92,530,997</u>    |
| Less:   |                         |
| Other Deductions Allowed by Law:  |                         |
| (1) Obligations Payable Wholly or Partly from<br>Special Assessments  | 4,700,000               |
| (2) Obligations Issued for Acquisition and Improvement<br>of Public Utilities and Conveniences from Which<br>Revenue may be Derived | 61,754,246              |
| (3) Obligations Payable Wholly from the Income from<br>Revenue Producing Conveniences   | <u>1,686,751</u>        |
| Total Deductions  | <u>68,140,997</u>       |
| Total Amount of Debt Applied Against Debt Limit   | <u>24,390,000</u>       |
| Legal Debt Margin   | <u>\$ 15,043,062</u>    |

**CITY OF BUFFALO, MINNESOTA**  
**TAX LEVIES TO RETIRE BONDED INDEBTEDNESS**  
**DECEMBER 31, 2019**  
**(UNAUDITED)**

| Year of<br>Levy for<br>Collection<br>in the<br>Following Year | General<br>Obligation<br>Improvement<br>Bonds<br>of 2010<br>Series 2010C | General<br>Obligation<br>Capital Improvement<br>Refunding Bonds<br>of 2011<br>Series 2011A | General<br>Obligation<br>Bonds<br>of 2013<br>Series 2013A | General<br>Obligation<br>Bonds<br>of 2015<br>Series 2015A |
|---|--|--|---|---|
| 2020  | \$ 188,322   | \$ 745,030   | \$ 406,455  | \$ 281,972  |
| 2021  | 178,679  | 747,261  | 398,790   | 280,607   |
| 2022  | 179,492  | 741,906  | 401,625   | 279,085   |
| 2023  | 190,423  | -  | -   | 284,965   |
| 2024  | 263,660  | -  | -   | 285,385   |
| 2025  | 265,655  | -  | -   | 280,450   |
| 2026  | 267,026  | -  | -   | 285,521   |
| 2027  | -  | -  | -   | 279,090   |
| 2028  | -  | -  | -   | 277,909   |
| 2029  | -  | -  | -   | 281,190   |
| 2030  | -  | -  | -   | -   |
| 2031  | -  | -  | -   | -   |
| 2032  | -  | -  | -   | -   |
| 2033  | -  | -  | -   | -   |
| 2034  | -  | -  | -   | -   |
| 2035  | -  | -  | -   | -   |
| 2036  | -  | -  | -   | -   |
| 2037  | -  | -  | -   | -   |
| 2038  | -  | -  | -   | -   |
| Total   | <u>\$ 1,533,257</u>  | <u>\$ 2,234,197</u>  | <u>\$ 1,206,870</u>                                       | <u>\$ 2,816,174</u>                                       |

| General<br>Obligation<br>Tax Abatement<br>Bonds<br>Series 2016A | General<br>Obligation<br>Street<br>Reconstruction<br>Bonds<br>Series 2016C | General<br>Obligation<br>Bonds<br>of 2019<br>Series 2019B | General<br>Obligation<br>Revenue<br>Refunding<br>Bonds<br>Series 2019C | Total                |
|---|--|---|--|----------------------|
| \$ 232,371  | \$ 215,762   | \$ 550,515  | \$ 507,150   | \$ 3,127,577         |
| 234,365   | 212,402  | 551,303   | 514,500  | 3,117,907            |
| 231,005   | 214,292  | 546,053   | 513,713  | 3,107,171            |
| 232,895   | 216,077  | 497,491   | 1,063,913  | 2,485,764            |
| 234,594   | 217,756  | 549,465   | -  | 1,550,860            |
| 235,827   | 214,082  | 547,103   | -  | 1,543,117            |
| 231,417   | 215,473  | 549,203   | -  | 1,548,640            |
| 231,982   | 215,998  | 545,003   | -  | 1,272,073            |
| 232,129   | 216,392  | 548,310   | -  | 1,274,740            |
| 231,940   | 216,156  | 545,895   | -  | 1,275,181            |
| 231,404   | 215,776  | 548,416   | -  | 995,596              |
| 235,762   | -  | 545,213   | -  | 780,975              |
| 234,447   | -  | 552,195   | -  | 786,642              |
| 232,861   | -  | 553,298   | -  | 786,159              |
| -   | -  | 249,428   | -  | 249,428              |
| -   | -  | 248,220   | -  | 248,220              |
| -   | -  | 246,855   | -  | 246,855              |
| -   | -  | 250,583   | -  | 250,583              |
| -   | -  | 248,745   | -  | 248,745              |
| <b>\$ 3,262,999</b>   | <b>\$ 2,370,166</b>  | <b>\$ 8,873,294</b>                                       | <b>\$ 2,599,276</b>  | <b>\$ 24,896,233</b> |

**CITY OF BUFFALO, MINNESOTA**  
**PROPERTY TAX VALUATIONS, LEVIES, AND COLLECTIONS**  
**DECEMBER 31, 2019**  
**(UNAUDITED)**

| Fiscal Year | Rates* | Valuations* | Total Certified Tax Levy | Total Tax Collections | Percent of Total Tax Collections to Tax Levy |
|-------------|--------|-------------|--------------------------|-----------------------|--|
| 1982        | 13.48  | 18,498,138  | 249,384                  | 237,056               | 95.06  |
| 1983        | 21.40  | 20,013,461  | 428,288                  | 426,538               | 99.59  |
| 1984        | 30.28  | 19,549,847  | 592,002                  | 574,495               | 97.04  |
| 1985        | 30.29  | 19,875,866  | 601,578                  | 626,693               | 104.17                                       |
| 1986        | 28.36  | 21,284,079  | 603,732                  | 616,448               | 102.11                                       |
| 1987        | 28.46  | 21,224,993  | 604,000                  | 607,569               | 100.59                                       |
| 1988        | 29.86  | 22,242,558  | 664,241                  | 651,950               | 98.15  |
| 1989        | 21.25  | 2,153,956   | 619,264                  | 619,661               | 100.06                                       |
| 1990        | 18.48  | 2,233,832   | 706,246                  | 695,092               | 98.42  |
| 1991        | 19.05  | 2,497,205   | 757,899                  | 763,959               | 100.80                                       |
| 1992        | 21.04  | 2,565,265   | 838,848                  | 849,162               | 101.23                                       |
| 1993        | 22.96  | 2,648,066   | 924,195                  | 935,044               | 101.17                                       |
| 1994        | 22.08  | 2,735,764   | 924,125                  | 929,228               | 100.55                                       |
| 1995        | 19.25  | 3,220,130   | 940,099                  | 937,697               | 99.74  |
| 1996        | 18.95  | 3,680,238   | 1,007,952                | 1,009,108             | 100.11                                       |
| 1997        | 19.34  | 4,252,834   | 1,136,543                | 1,151,823             | 101.34                                       |
| 1998        | 28.60  | 4,246,436   | 1,214,359                | 1,240,000             | 102.11                                       |
| 1999        | 30.11  | 4,423,493   | 1,331,844                | 1,424,922             | 106.99                                       |
| 2000        | 26.91  | 5,019,161   | 1,350,600                | 1,395,899             | 103.35                                       |
| 2001        | 22.39  | 5,672,315   | 1,269,863                | 1,342,795             | 105.74                                       |
| 2002        | 24.62  | 5,287,909   | 1,302,028                | 1,351,822             | 103.82                                       |
| 2003        | 24.18  | 6,244,335   | 1,510,102                | 1,570,238             | 103.98                                       |
| 2004        | 28.22  | 7,344,065   | 2,072,633                | 2,121,480             | 102.36                                       |
| 2005        | 24.46  | 8,585,484   | 2,100,000                | 2,123,057             | 101.10                                       |
| 2006        | 23.68  | 11,518,870  | 2,727,940                | 2,704,890             | 99.16  |
| 2007        | 23.61  | 13,380,144  | 3,159,243                | 3,289,327             | 104.12                                       |
| 2008        | 25.40  | 14,500,710  | 3,648,829                | 3,785,027             | 103.73                                       |
| 2009        | 28.77  | 14,520,075  | 4,412,674                | 4,370,571             | 99.05  |
| 2010        | 35.99  | 13,522,253  | 5,303,837                | 4,978,294             | 93.86  |
| 2011        | 38.45  | 12,379,321  | 5,283,937                | 5,025,618             | 95.11  |
| 2012        | 47.08  | 11,075,696  | 5,731,862                | 5,670,074             | 98.92  |
| 2013        | 51.81  | 10,280,667  | 5,811,712                | 5,621,583             | 96.73  |
| 2014        | 49.89  | 10,624,202  | 5,812,783                | 5,878,026             | 101.12                                       |
| 2015        | 51.77  | 11,280,273  | 6,034,293                | 6,078,840             | 100.74                                       |
| 2016        | 54.84  | 11,881,132  | 6,720,639                | 6,730,096             | 100.14                                       |
| 2017        | 59.61  | 12,307,915  | 7,548,874                | 7,388,362             | 97.87  |
| 2018        | 60.08  | 13,160,639  | 8,134,719                | 6,812,361             | 83.74  |
| 2019        | 57.20  | 14,034,447  | 8,269,790                | 7,244,040             | 87.60  |

\* Amounts from Wright County's Auditors office.

Note: Total tax collections is total levy collected by the City minus the tax increment dollars collected.  
All other amounts are from the county confirmation.

## **OTHER REPORT SECTION**





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## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and  
Members of the City Council  
City of Buffalo  
Buffalo, 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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Buffalo (the City), Minnesota, as of December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated May 13, 2020.

In connection with our audit, nothing came to our attention that caused us to believe the City of Buffalo, Minnesota failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the state auditor pursuant to Minnesota Statutes §6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Buffalo, Minnesota'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 relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Cities* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Buffalo, Minnesota  
May 13, 2020

