

**CITY OF BUFFALO, MINNESOTA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2015**





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## **INTRODUCTORY SECTION**





**CITY OF BUFFALO, MINNESOTA  
OFFICIAL DIRECTORY  
DECEMBER 31, 2015**

Elected Officials

		<u>Term Expires</u>
Mayor	Brad Nauman	December 31, 2016
Council Member	Eric Anderson	December 31, 2018
Council Member	Scott Enter	December 31, 2018
Council Member	Teri Lachermeier	December 31, 2016
Council Member	Paul Olson	December 31, 2016

Appointed Officials

Administrator and Clerk-Treasurer	Merton Auger
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## **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, 2015, 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

## **Opinion**

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, 2015, 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**

During the year ended December 31, 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the City reported a restatement for the change in accounting principle (see Note 16). 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, 2014, and we have expressed unmodified audit opinions on those audited financial statements in our report dated June 1, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 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, budgetary comparison information, 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 contributions, as listed in the table of contents, 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*

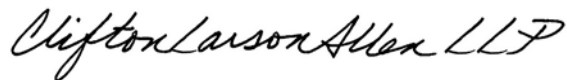
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, computation of legal debt margin, tax levies to retire bonded indebtedness and property 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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**

Buffalo, Minnesota  
June 8, 2016

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## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

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, 2015.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City of Buffalo exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$48,916,613 (net position). The unrestricted portion of net position, the portion used to meet the City's ongoing obligations to citizens and creditors, is a deficit of \$9,394,689.
- The City's total net position increased by \$2,380,476 from 2014.
- As of the close of the current fiscal year, the City of Buffalo's governmental funds reported a combined ending fund balance of \$8,391,848, an increase of \$3,591,305 in comparison with the prior year. The overall *unassigned fund balance* is a deficit \$851,419.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,015,641, or 56% of total 2015 general fund expenditures.
- The City of Buffalo's total bonded debt increased by \$2,791,898 or 2.9% during the current fiscal period.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

The *statement of net position* presents information on all of the City of Buffalo'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 of Buffalo is improving or deteriorating.

**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

**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 of Buffalo 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 of Buffalo include general government, public safety, highways and streets, sanitation, culture and recreation, and community development. The business-type activities of the City of Buffalo 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 of Buffalo, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Buffalo 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, 2015**

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

**Fund Financial Statements (Continued)**

***Governmental Funds (Continued)***

The City of Buffalo 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 of Buffalo 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 of Buffalo uses enterprise funds to account for its water and sewer utilities, electric utilities, liquor store operations, and golf course operations. The City uses an *internal service fund* to account for the City's self-insurance program for health insurance.

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 of Buffalo. 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 37-79 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 of Buffalo'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 83-86 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 88-95.

**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a city's financial position. In the case of the City of Buffalo, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows by \$48,916,613 at the close of the most recent fiscal year compared to \$46,536,137 at the end of 2014.

By far, the largest portion of the City of Buffalo's net position (96%) 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 of Buffalo uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Buffalo'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	
	2015	2014	2015	2014	2015	2014
<b>ASSETS</b>						
Current and Other Assets	\$ 17,790,575	\$ 11,671,649	\$ (587,686)	\$ 2,815,081	\$ 17,202,889	\$ 14,486,730
Capital Assets	57,879,038	55,725,018	84,224,842	83,837,449	142,103,880	139,562,467
Total Assets	75,669,613	67,396,667	83,637,156	86,652,530	159,306,769	154,049,197
<b>DEFERRED OUTFLOW OF RESOURCES</b>						
Loss on Refunding of Bonds Pension Related	36,348	41,017	343,480	405,980	379,828	446,997
	606,657	-	262,118	-	868,775	-
Total Deferred Outflow of Resources	643,005	41,017	605,598	405,980	1,248,603	446,997
<b>LIABILITIES</b>						
Noncurrent Liabilities Outstanding	30,976,923	25,976,467	65,865,853	68,245,956	96,842,776	94,222,423
Other Liabilities	7,606,776	4,678,121	6,522,210	4,875,112	14,128,986	9,553,233
Total Liabilities	38,583,699	30,654,588	72,388,063	73,121,068	110,971,762	103,775,656
<b>DEFERRED INFLOW OF RESOURCES</b>						
Pension Related	400,320	-	266,677	-	666,997	-
Net Position:						
Net Investment in Capital Assets	35,513,483	33,343,229	13,257,732	12,651,454	48,771,215	45,994,683
Restricted	9,540,087	7,348,168	-	-	9,540,087	7,348,168
Unrestricted	(7,724,971)	(3,908,301)	(1,669,718)	1,285,988	(9,394,689)	(2,622,313)
Total Net Position	\$ 37,328,599	\$ 36,783,096	\$ 11,588,014	\$ 13,937,442	\$ 48,916,613	\$ 50,720,538

The remaining balance of the City of Buffalo's net position are *restricted net position* (19%) 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. Net position for 2014 was not restated to reflect the implementation of GASB 68 and 71 in 2015.

**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

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

**Governmental Activities**

Governmental activities increased the City of Buffalo's net position by \$2,810,085. The most significant change in governmental net position is due to the increase in capital assets related to the completion of the Highway 25 reconstruction and Settlers Parkway projects.

**Business-Type Activities**

Business-type activities decreased the City of Buffalo's net position by \$429,609. The most significant change in business-type net position is due to the expenses and transfers to other funds growing faster than revenues.

**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, 2015:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>REVENUES</b>						
Program Revenues:						
Fees, Charges, Fines, and Other	\$ 3,734,157	\$ 3,418,630	\$ 23,122,046	\$ 22,400,727	\$ 26,856,203	\$ 25,819,357
Operating Grants and Contributions	536,123	526,392	144,008	163,549	680,131	689,941
Capital Grants and Contributions	6,660,393	2,074,658	369,510	356,776	7,029,903	2,431,434
General Revenues:						
Property Taxes	5,306,826	5,145,350	572,899	639,400	5,879,725	5,784,750
Tax Increments	264,026	137,744	-	-	264,026	137,744
Other Taxes	2,144	2,095	-	-	2,144	2,095
Grants and Contributions, Not Restricted	834,909	760,241	-	-	834,909	760,241
Unrestricted Investment Earnings (Loss)	9,366	3,416	20,188	31,264	29,554	34,680
Gain on Disposal of Capital Assets	26,276	-	-	-	26,276	-
Miscellaneous	27,748	83,402	16,347	17,001	44,095	100,403
Total Revenues	<u>17,401,968</u>	<u>12,151,928</u>	<u>24,244,998</u>	<u>23,608,717</u>	<u>41,646,966</u>	<u>35,760,645</u>
<b>EXPENSES</b>						
General Government	1,125,873	1,533,487	-	-	1,125,873	1,533,487
Public Safety	3,123,618	2,952,940	-	-	3,123,618	2,952,940
Highways and Streets	6,139,374	4,676,084	-	-	6,139,374	4,676,084
Culture and Recreation	2,961,901	2,604,422	-	-	2,961,901	2,604,422
Sanitation	781,798	758,092	-	-	781,798	758,092
Community Development	198,414	161,506	-	-	198,414	161,506
Interest on Long-Term Debt	737,836	675,889	-	-	737,836	675,889
Electric	-	-	11,525,954	11,371,393	11,525,954	11,371,393
Water	-	-	2,718,563	2,864,191	2,718,563	2,864,191
Sewer	-	-	4,090,073	4,472,785	4,090,073	4,472,785
Liquor Store	-	-	4,493,031	4,137,544	4,493,031	4,137,544
Golf Course	-	-	1,370,055	1,139,642	1,370,055	1,139,642
Total Expenses	<u>15,068,814</u>	<u>13,362,420</u>	<u>24,197,676</u>	<u>23,985,555</u>	<u>39,266,490</u>	<u>37,347,975</u>
Decrease in Net Position Before Transfers	2,333,154	(1,210,492)	47,322	(376,838)	2,380,476	(1,587,330)
Transfers	476,931	795,786	(476,931)	(795,786)	-	-
<b>CHANGE IN NET POSITION</b>	<u>2,810,085</u>	<u>(414,706)</u>	<u>(429,609)</u>	<u>(1,172,624)</u>	<u>2,380,476</u>	<u>(1,587,330)</u>
Net Position - Beginning of Year	36,783,096	37,197,802	13,937,442	15,110,066	50,720,538	52,307,868
Prior Period Adjustment	(2,264,582)	-	(1,919,819)	-	(4,184,401)	-
Net Position - Beginning of Year (as Restated)	<u>34,518,514</u>	<u>37,197,802</u>	<u>12,017,623</u>	<u>15,110,066</u>	<u>46,536,137</u>	<u>52,307,868</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 37,328,599</u>	<u>\$ 36,783,096</u>	<u>\$ 11,588,014</u>	<u>\$ 13,937,442</u>	<u>\$ 48,916,613</u>	<u>\$ 50,720,538</u>

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**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

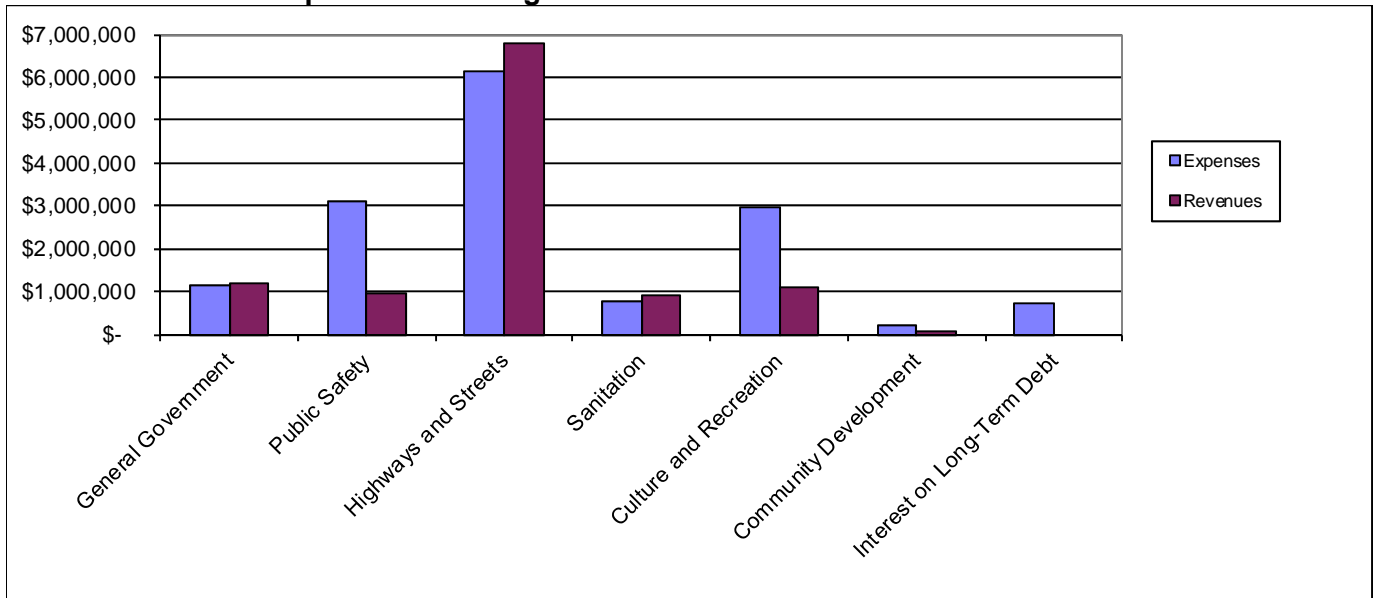
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**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.

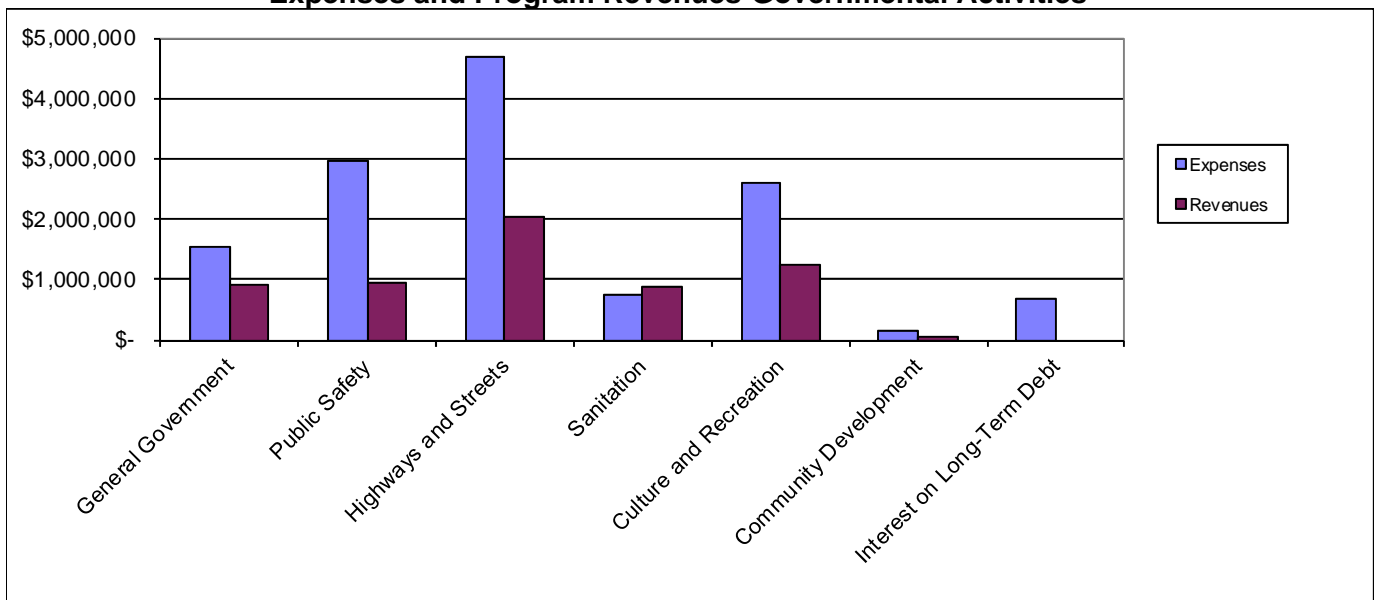
**2015**

**Expenses and Program Revenues-Governmental Activities**



**2014**

**Expenses and Program Revenues-Governmental Activities**



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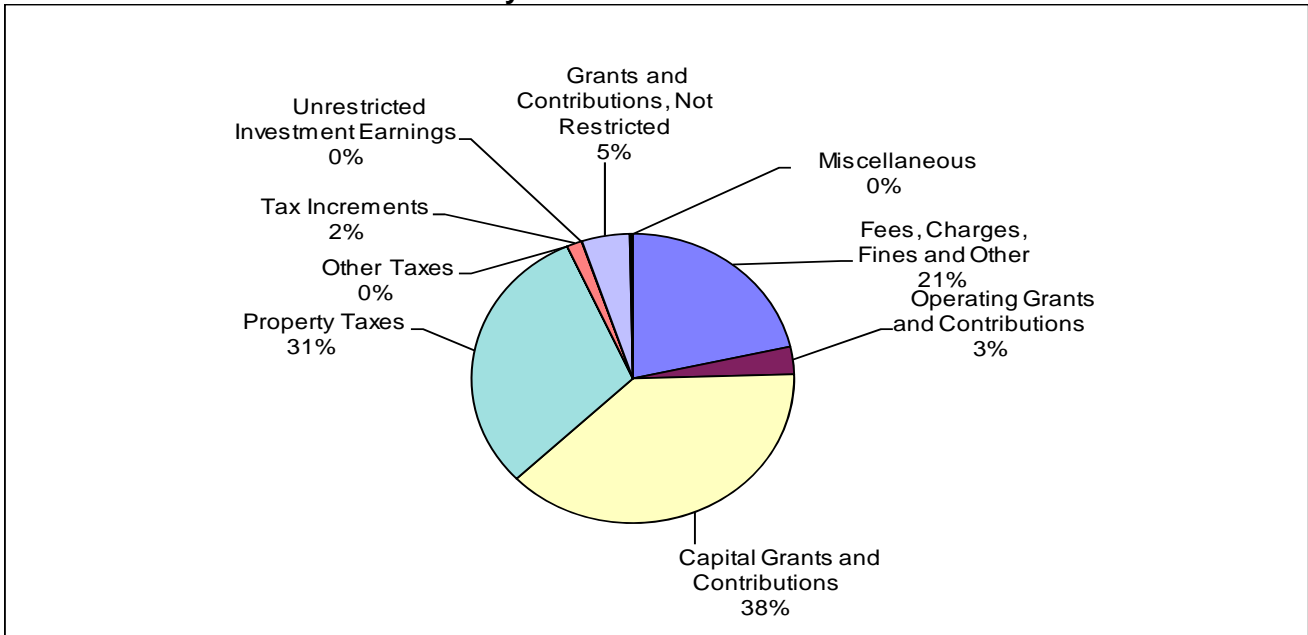
**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

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

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

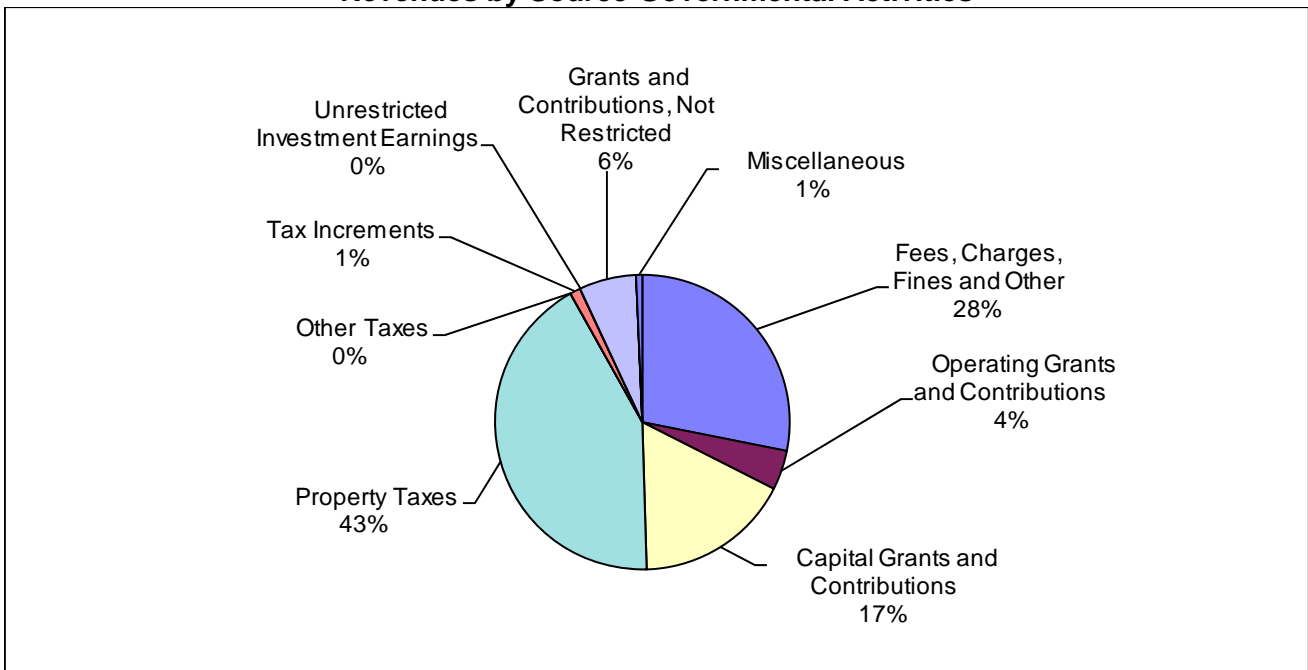
**2015**

**Revenues by Source-Governmental Activities**



**2014**

**Revenues by Source-Governmental Activities**



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**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

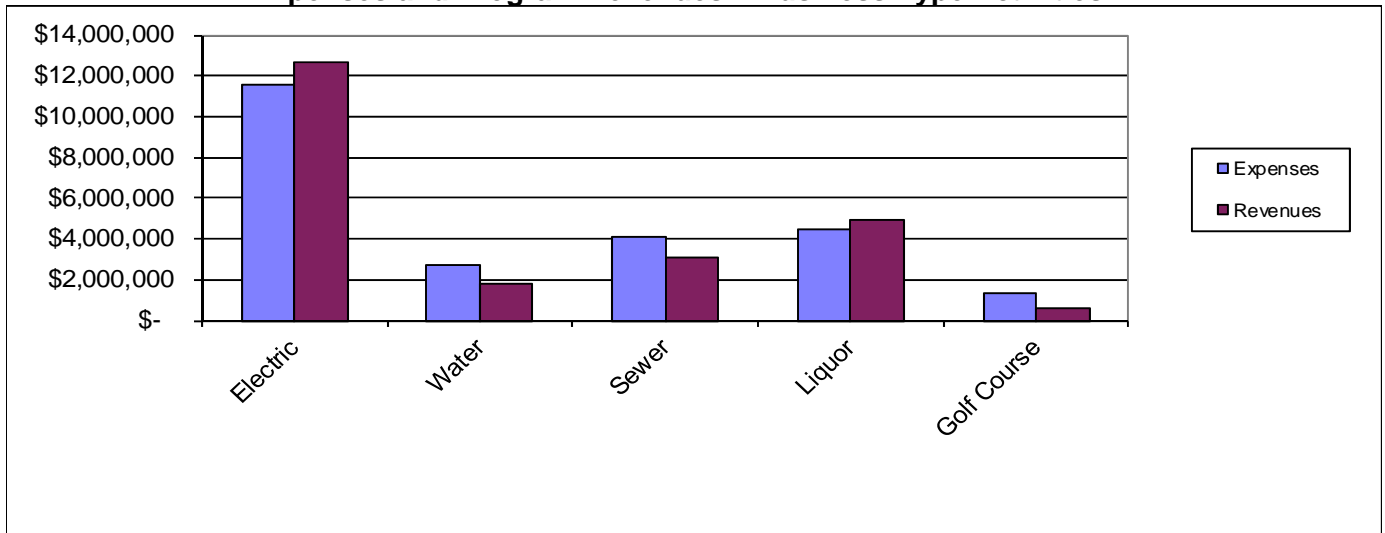
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**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.

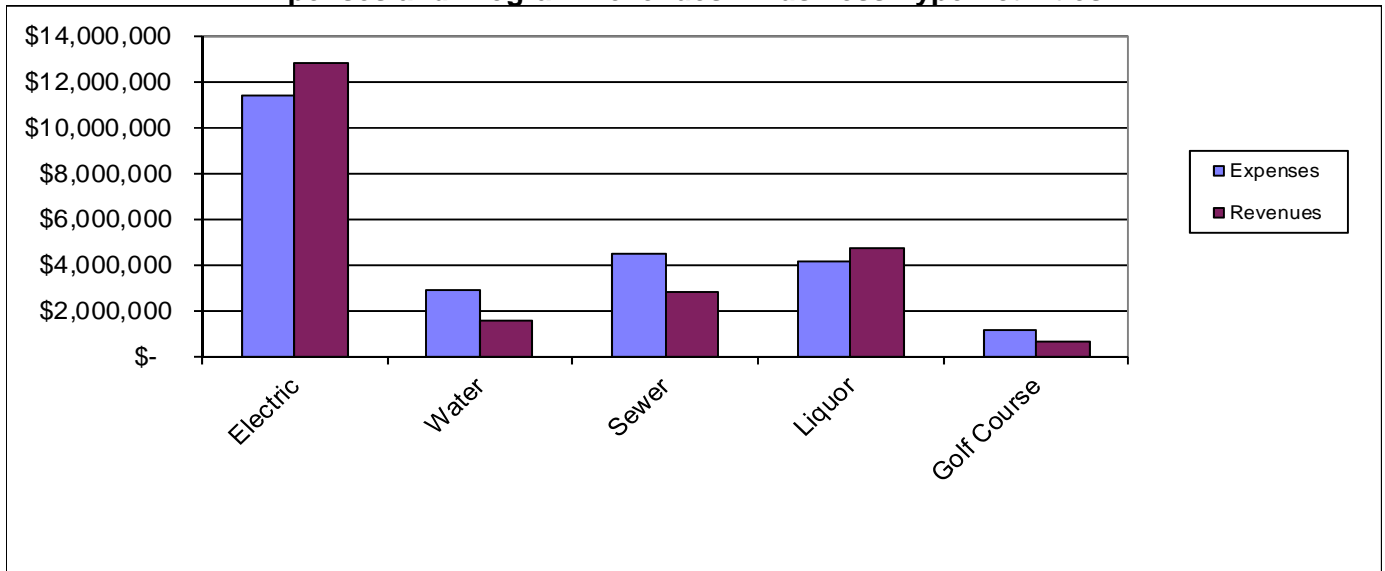
**2015**

**Expenses and Program Revenues – Business-Type Activities**



**2014**

**Expenses and Program Revenues – Business-Type Activities**



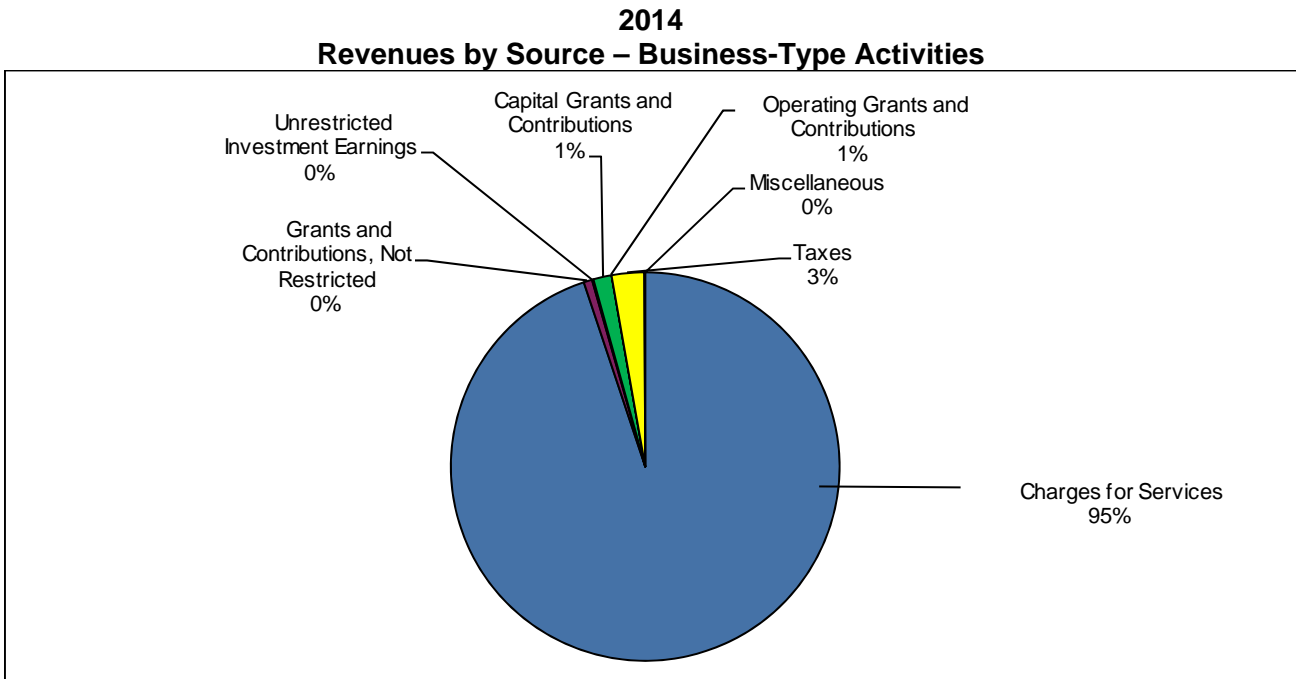
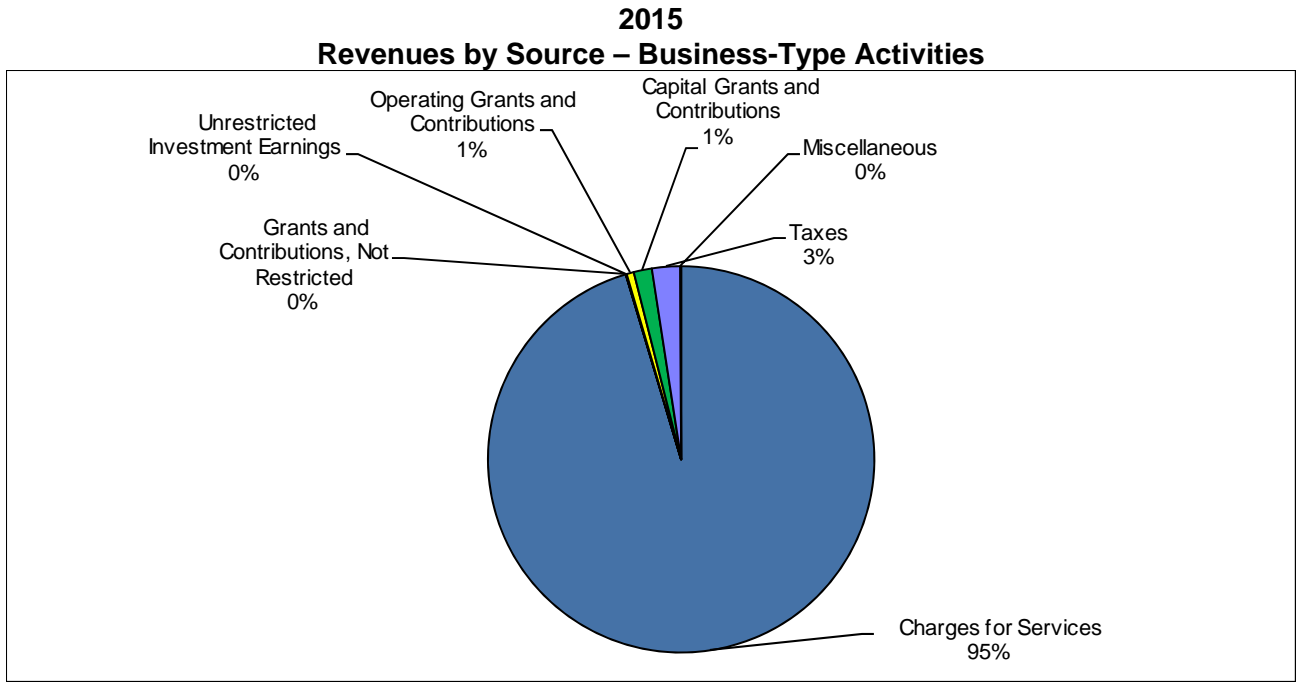
Note: Other income amounts for developer installed utilities and contributed capital from other funds are not included in program revenues in the above graphs.

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**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

**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, 2015**

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

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

**Governmental Funds**

The focus of the City of Buffalo'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 of Buffalo'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 of Buffalo's governmental funds reported combined ending fund balances of \$8,391,848, an increase of \$3,591,305 in comparison with 2014. The City reported deficit unassigned fund balance in the amount of \$851,419. The remainder of fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending. At December 31, 2015 fund balances were as follows:

	Balance	Increase (Decrease) From 2014
General Fund	\$ 4,058,847	\$ 512,925
Debt Service Fund	4,578,345	(133,946)
Capital Project Fund	3,075,658	3,182,422
HRA Debt Service Fund	(1,815,235)	68,128
Other Governmental Funds	(1,505,767)	(38,224)
Total	\$ 8,391,848	\$ 3,591,305

The General Fund is the chief operating fund of the City of Buffalo. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,015,641.

During the current fiscal year, the City of Buffalo's general fund balance increased by \$512,925. The increase was a result of operating transfers from the electric and liquor funds.

**Debt Service**

The decrease in the Debt Service Fund balance of \$133,946 was the result of scheduled principal and interest payments.

**Capital Project**

The Capital Projects Fund balance increased \$3,182,422 as a result of the issuance of bonds during 2015.

**HRA Debt Service**

The increase in the HRA Debt Service Fund balance was due to additional refunds and reimbursements received during 2015.

**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

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

**Proprietary Funds**

The City of Buffalo'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 2015 was \$13,305,500, of which \$2,252,473 is unrestricted. Net position increased \$760,910 during the current year primarily due to an increase in operating revenue.

The Water and Sewer Fund has total net position of \$3,543,436, of which \$2,097,038 is unrestricted. The decrease in net position of \$507,522 from 2014 was due to bonded debt interest expense not covered by operating revenues.

The Liquor Fund has total net position of \$1,145,064. It has deficit unrestricted net position of \$60,926. Net position increased by \$51,946 from 2014. The net position increase is consistent with prior years and includes an annual transfer to the General Fund (see Note 9).

The City purchased Wild Marsh Golf Course in May 2004. Wild Marsh has total net position of \$(6,405,986) and unrestricted net position of \$(5,958,303) primarily due to operating losses incurred in the 11½ years of operations.

Net Position in the Internal Service Fund at the end of 2015 was \$72,869. The increase in net position of \$53,906 was due to higher premiums than expenses.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Revenues were \$151,620 over budget due mainly to an increase in charges for services items. Expenditures came in under the budgeted amounts by \$217,574 which is mainly due to street maintenance being under budget. This resulted in a net fund balance increase of \$69,194 compared to budget for the fiscal year (excluding other financing sources and uses). Refer to pages 83-85 of the required supplementary information for additional information.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The City of Buffalo's investment in capital assets for its governmental and business-type activities as of December 31, 2015, amounts to \$142,103,880 (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 of Buffalo's investment in capital assets (net of accumulated depreciation) was \$2,541,413 when compared to 2014. This increase is a result of several projects being completed during offset by current year depreciation. The largest project was Settlers Parkway.

**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

**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	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,751,284	\$ 1,724,784	\$ 2,636,955	\$ 2,534,091	\$ 4,388,239	\$ 4,258,875
Land Improvements	9,245,819	9,136,116	1,594,209	1,664,175	10,840,028	10,800,291
Buildings and Building Improvements	10,233,228	10,614,521	32,314,196	33,250,741	42,547,424	43,865,262
Improvements Other than Building	1,824,031	1,964,676	-	-	1,824,031	1,964,676
Vehicle	1,182,703	1,187,360	-	-	1,182,703	1,187,360
Equipment	1,314,869	1,504,870	2,774,771	2,716,739	4,089,640	4,221,609
Infrastructure	24,625,009	23,865,714	-	-	24,625,009	23,865,714
Utility Distribution Systems	-	-	44,883,482	43,190,278	44,883,482	43,190,278
Construction in Progress	7,702,095	5,726,977	21,229	481,425	7,723,324	6,208,402
Total	<u>\$ 57,879,038</u>	<u>\$ 55,725,018</u>	<u>\$ 84,224,842</u>	<u>\$ 83,837,449</u>	<u>\$ 142,103,880</u>	<u>\$ 139,562,467</u>

**Long-Term Debt**

At the end of the current fiscal year, the City of Buffalo had total bonded debt outstanding of \$98,497,376. Of this amount, \$26,905,000 comprises tax supported debt, \$5,230,000 is special assessment debt, and \$64,734,559 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	
	2015	2014	2015	2014	2015	2014
G.O. Tax Supported Debt	\$ 21,010,000	\$ 18,820,000	\$ 5,895,000	\$ 6,975,000	\$ 26,905,000	\$ 25,795,000
G.O. Special Assessment Debt	5,230,000	1,975,000	-	-	5,230,000	1,975,000
G.O. Revenue Debt	6,016,540	6,426,754	58,718,019	60,164,805	64,734,559	66,591,559
Interest Accretion on Capital Appreciation Bonds	-	-	1,627,817	1,343,919	1,627,817	1,343,919
Total	<u>\$ 32,256,540</u>	<u>\$ 27,221,754</u>	<u>\$ 66,240,836</u>	<u>\$ 68,483,724</u>	<u>\$ 98,497,376</u>	<u>\$ 95,705,478</u>

The City of Buffalo's total bonded debt increased by \$2,791,898 or (2.9%) during the current fiscal year. There were three new bonds issued in the current fiscal year, a \$4,045,000 General Obligation Bond, a \$1,185,000 Electric Revenue Refunding Bond and a \$3,400,000 General Obligation Tax Abatement Revenue Bond (see Note 4).

The City of Buffalo maintained an "A+/Stable" rating from Standard & Poor's for general obligation debt. Refer to Notes 3 and 4 for detailed information on capital assets and long-term debt.

**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

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

- The unemployment rate for Wright County is currently 3.8%, based on U.S. Department of Labor: Bureau of Labor statistics.
- The City of Buffalo continues to see increased commercial/industrial construction growth. Residential growth and home values are somewhat higher. 38 permits were issued for new home construction in 2015 compared to 47 in 2014.
- Sales tax was eliminated in 2014 for purchases in some City departments allowing the City to reduce some of the costs that have been budgeted in prior years.
- Interest rates have remained low and are reflected in the City's investment earnings. Interest rates on debt are also low and have resulted in bond refundings allowing savings for the City.
- Local government aid increased from \$636,274 (2014) to \$703,609 (2015) and it is anticipated to increase an additional \$21,340 in 2016. Although it has increased the past two years, it is still down significantly from a high of \$1,415,301 received in 2006.
- The City has two major projects (TH25 Reconstruction, both North and South) in process, both of which have multiple funding sources including state and federal aid.

**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 Administrator, City of Buffalo, 212 Central Ave., Buffalo, Minnesota, 55313.

## **BASIC FINANCIAL STATEMENTS**



**CITY OF BUFFALO, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2015**  
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2014)

	2015			2014
	Governmental Activities	Business- Activities	Total	Total
<b>ASSETS</b>				
Cash and Investments	\$ 8,539,310	\$ 52,004	\$ 8,591,314	\$ 7,902,476
Restricted Cash and Investments	402,325	-	402,325	402,325
Taxes Receivable	84,125	5,807	89,932	92,849
Special Assessments Receivable	843,152	-	843,152	874,201
Accounts Receivable	292,306	1,490,404	1,782,710	1,851,461
Hook-up Fees Receivable - Current	-	6,700	6,700	10,499
Due from Other Governments	758,740	3,164	761,904	1,148,233
Accrued Interest Receivable	167,183	647	167,830	142,067
Internal Balances	3,708,005	(3,708,005)	-	-
Lease Receivable	2,379,861	-	2,379,861	-
Inventory	9,183	1,432,942	1,442,125	1,504,729
Prepaid Items	39,425	28,771	68,196	3,462
Hook-up Fees Receivable - Noncurrent	-	99,880	99,880	82,053
Loans Receivable	421,312	-	421,312	448,716
Land Held for Resale	23,659	-	23,659	23,659
Net Pension Asset	121,989	-	121,989	-
Capital Assets:				
Land and Construction in Progress	9,453,379	2,658,184	12,111,563	10,467,277
Other Capital Assets, Net of Depreciation	48,425,659	81,566,658	129,992,317	129,095,190
Total Assets	<u>75,669,613</u>	<u>83,637,156</u>	<u>159,306,769</u>	<u>154,049,197</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Refunding Loss on Bonds	36,348	343,480	379,828	446,997
Pension Related	606,657	262,118	868,775	-
Total Deferred Outflow of Resources	<u>643,005</u>	<u>605,598</u>	<u>1,248,603</u>	<u>446,997</u>
<b>LIABILITIES</b>				
Accounts and Contracts Payable	1,417,557	893,296	2,310,853	2,478,082
Other Accrued Liabilities	135,122	191,004	326,126	313,720
Accrued Interest Payable	332,716	300,875	633,591	672,462
Due to Other Governmental Units	89,189	4,180	93,369	65,337
Escrow Deposits	78,858	-	78,858	175,139
Unearned Revenue	3,588	29,267	32,855	29,296
Net Pension Liability	2,640,765	1,960,188	4,600,953	-
Long-Term Liabilities:				
Due within One Year	2,908,981	3,143,400	6,052,381	5,819,197
Due in More than One Year	30,976,923	65,865,853	96,842,776	94,222,423
Total Liabilities	<u>38,583,699</u>	<u>72,388,063</u>	<u>110,971,762</u>	<u>103,775,656</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Pension Related	400,320	266,677	666,997	-
<b>NET POSITION</b>				
Net Investment in Capital Assets	35,513,483	13,257,732	48,771,215	45,994,683
Restricted for:				
Debt Service	9,233,387	-	9,233,387	7,259,775
Fire Relief Pension	242,211	-	242,211	-
Federal Loan Programs	64,489	-	64,489	88,393
Unrestricted	<u>(7,724,971)</u>	<u>(1,669,718)</u>	<u>(9,394,689)</u>	<u>(2,622,313)</u>
Total Net Position	<u>\$ 37,328,599</u>	<u>\$ 11,588,014</u>	<u>\$ 48,916,613</u>	<u>\$ 50,720,538</u>

See accompanying Notes to Financial Statements.

**CITY OF BUFFALO, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2015**  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014)

Functions/Programs	2015			
	Expenses	Program Revenues		
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$ 1,125,873	\$ 1,160,401	\$ -	\$ 9,482
Public Safety	3,123,618	689,598	250,837	-
Highways and Streets	6,139,374	5,815	209,006	6,561,268
Sanitation	781,798	895,712	-	-
Culture and Recreation	2,961,901	924,473	76,280	89,643
Community Development	198,414	58,158	-	-
Interest on Long-Term Debt	737,836	-	-	-
Total Governmental Activities	<u>15,068,814</u>	<u>3,734,157</u>	<u>536,123</u>	<u>6,660,393</u>
<b>Business-Type Activities:</b>				
Electric	11,525,954	12,668,784	136,056	-
Water	2,718,563	1,837,305	5,157	42,160
Sewer	4,090,073	3,057,605	-	327,350
Liquor	4,493,031	4,931,536	-	-
Golf Course	1,370,055	626,816	2,795	-
Total Business-Type Activities	<u>24,197,676</u>	<u>23,122,046</u>	<u>144,008</u>	<u>369,510</u>
Total	<u>\$ 39,266,490</u>	<u>\$ 26,856,203</u>	<u>\$ 680,131</u>	<u>\$ 7,029,903</u>

**General Revenues:**

**Taxes:**

Property Taxes, Levied for General Purpose

Tax Increments

Other Taxes

Grants and Contributions not Restricted to Specific Programs

Unrestricted Investment Earnings (Loss)

Insurance Proceeds

Gain on Disposal of Capital Assets

Miscellaneous

**Transfers**

Total General Revenues and Transfers

**CHANGE IN NET POSITION**

Net Position - Beginning of Year

Prior Period Adjustment

Net Position - Beginning of Year (as Restated)

**NET POSITION - END OF YEAR**

See accompanying Notes to Financial Statements.



2015			2014
Net (Expense) Revenue and Changes in Net Position			Total
Governmental	Business-Type	Total	Total
\$ 44,010	\$ -	\$ 44,010	\$ (635,555)
(2,183,183)	-	(2,183,183)	(2,025,609)
636,715	-	636,715	(2,649,376)
113,914	-	113,914	118,249
(1,871,505)	-	(1,871,505)	(1,358,291)
(140,256)	-	(140,256)	(116,269)
(737,836)	-	(737,836)	(675,889)
<u>(4,138,141)</u>	<u>-</u>	<u>(4,138,141)</u>	<u>(7,342,740)</u>
-	1,278,886	1,278,886	1,580,658
-	(833,941)	(833,941)	(1,278,418)
-	(705,118)	(705,118)	(1,393,205)
-	438,505	438,505	568,299
-	(740,444)	(740,444)	(541,837)
<u>-</u>	<u>(562,112)</u>	<u>(562,112)</u>	<u>(1,064,503)</u>
(4,138,141)	(562,112)	(4,700,253)	(8,407,243)
5,306,826	572,899	5,879,725	5,784,750
264,026	-	264,026	137,744
2,144	-	2,144	2,095
834,909	-	834,909	760,241
9,366	20,188	29,554	34,680
-	5,501	5,501	16,315
26,276	-	26,276	-
27,748	10,846	38,594	84,088
476,931	(476,931)	-	-
<u>6,948,226</u>	<u>132,503</u>	<u>7,080,729</u>	<u>6,819,913</u>
2,810,085	(429,609)	2,380,476	(1,587,330)
36,783,096	13,937,442	50,720,538	52,307,868
(2,264,582)	(1,919,819)	(4,184,401)	-
<u>34,518,514</u>	<u>12,017,623</u>	<u>46,536,137</u>	<u>52,307,868</u>
<u>\$ 37,328,599</u>	<u>\$ 11,588,014</u>	<u>\$ 48,916,613</u>	<u>\$ 50,720,538</u>

**CITY OF BUFFALO, MINNESOTA**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**DECEMBER 31, 2015**  
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2014)

	2015		
	General Fund	Debt Service Fund	Capital Project Fund
<b>ASSETS</b>			
Cash and Investments	\$ -	\$ 2,746,184	\$ 4,868,475
Cash and Investments with Fiscal Agent	-	-	-
Restricted Cash and Investments	-	-	-
Taxes Receivable Delinquent	51,181	31,058	-
Special Assessments Receivable			
Delinquent	-	7,925	-
Noncurrent	35,000	800,227	-
Accounts Receivable	197,591	3,067	6,272
Due from Other Governmental Units	49,344	17,161	369,141
Accrued Interest Receivable	-	-	-
Due from Other Funds	4,276,524	-	-
Advances to Other Funds	-	1,815,000	-
Interfund Lease Receivable	-	-	-
Lease Receivable	-	2,379,861	-
Inventory	-	-	-
Prepaid Expenses	35,406	-	-
Loans Receivable, Net of Allowance	-	-	-
Land Held for Resale	7,800	-	-
Total Assets	<u>\$ 4,652,846</u>	<u>\$ 7,800,483</u>	<u>\$ 5,243,888</u>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>			
<b>LIABILITIES</b>			
Accounts and Contracts Payable	\$ 279,705	\$ -	\$ 934,082
Other Accrued Liabilities	100,333	-	-
Due to Other Governmental Units	55,041	-	34,148
Due to Other Funds	-	-	1,200,000
Advances From Other Funds	-	-	-
Unearned Revenue	479	-	-
Escrow Deposits	72,260	-	-
Total Liabilities	<u>507,818</u>	<u>-</u>	<u>2,168,230</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Unavailable Taxes	51,181	31,058	-
Unavailable Special Assessments	35,000	808,152	-
Unavailable Lease Receivables	-	2,382,928	-
Unavailable Loans Receivables	-	-	-
Total Deferred Inflow of Resources	<u>86,181</u>	<u>3,222,138</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS)</b>			
Nonspendable	43,206	-	-
Restricted	-	4,578,345	3,075,658
Committed	-	-	-
Assigned	-	-	-
Unassigned	4,015,641	-	-
Total Fund Balances (Deficits)	<u>4,058,847</u>	<u>4,578,345</u>	<u>3,075,658</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 4,652,846</u>	<u>\$ 7,800,483</u>	<u>\$ 5,243,888</u>

See accompanying Notes to Financial Statements.

HRA Debt Service Fund	2015		2014	
	Other Governmental Funds	Total Governmental Funds	Total Governmental Funds	Total Governmental Funds
\$ 55,186	\$ 723,307	\$ 8,393,152	\$ 6,249,438	
-	-	-	-	
402,325	-	402,325	402,325	
-	1,886	84,125	88,301	
-	-	7,925	58,303	
-	-	835,227	815,898	
-	75,737	282,667	247,815	
-	323,094	758,740	1,146,473	
-	167,183	167,183	141,183	
25,855	770,441	5,072,820	2,997,078	
-	20,000	1,835,000	1,905,000	
3,555,000	-	3,555,000	3,775,000	
-	-	2,379,861	-	
-	9,183	9,183	12,612	
-	4,019	39,425	125	
-	421,312	421,312	448,716	
-	15,859	23,659	23,659	
<u>\$ 4,038,366</u>	<u>\$ 2,532,021</u>	<u>\$ 24,267,604</u>	<u>\$ 18,311,926</u>	
\$ -	\$ 120,842	\$ 1,334,629	\$ 1,206,647	
-	34,789	135,122	134,359	
-	-	89,189	46,474	
-	3,152,681	4,352,681	4,166,938	
2,272,746	129,388	2,402,134	2,537,134	
-	3,109	3,588	1,450	
-	6,598	78,858	63,659	
<u>2,272,746</u>	<u>3,447,407</u>	<u>8,396,201</u>	<u>8,156,661</u>	
-	1,886	84,125	88,301	
-	-	843,152	874,201	
3,580,855	-	5,963,783	3,802,321	
-	588,495	588,495	589,899	
<u>3,580,855</u>	<u>590,381</u>	<u>7,479,555</u>	<u>5,354,722</u>	
-	56,561	99,767	71,396	
-	-	7,654,003	4,712,291	
-	1,489,497	1,489,497	600,217	
-	-	-	932,318	
<u>(1,815,235)</u>	<u>(3,051,825)</u>	<u>(851,419)</u>	<u>(1,515,679)</u>	
<u>(1,815,235)</u>	<u>(1,505,767)</u>	<u>8,391,848</u>	<u>4,800,543</u>	
<u>\$ 4,038,366</u>	<u>\$ 2,532,021</u>	<u>\$ 24,267,604</u>	<u>\$ 18,311,926</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, 2015  
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2014)**

	<u>2015</u>	<u>2014</u>
Total Fund Balance for Governmental Funds	\$ 8,391,848	\$ 4,800,543
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	1,751,284	1,724,784
Construction in Progress	7,702,095	5,726,977
Land Improvements	14,696,115	13,942,154
Buildings and Improvements	17,429,962	17,376,192
Improvements Other than Buildings	3,360,962	3,358,356
Vehicles	3,392,015	3,315,362
Equipment	6,477,384	6,257,437
Infrastructure	77,632,449	74,391,938
Less: Accumulated Depreciation	(74,563,228)	(70,368,182)
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	121,989	-
Net Pension Liability	(2,640,765)	-
Deferred Inflows of Resources - Pension Related	(400,320)	-
Deferred Outflows of Resources - Pension Related	606,657	-
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.		
	7,479,555	5,354,722
The loss on refunding is reported as a deferred outflow on the statement of net position and amortized over the life of the bonds.		
	36,348	41,017
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.		
	(332,716)	(280,685)
The City uses an internal service fund to charge the cost of self-insurance to other funds. The adjustment is the net position of the internal service fund that relates to governmental activities.		
	72,869	18,963
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	(32,256,540)	(27,221,754)
Unamortized Bond Premiums	(429,827)	(280,761)
Note Payable	(98,080)	(134,481)
Obligations Under Capital Leases	(727,542)	(866,646)
Compensated Absences Payable	(373,915)	(372,840)
Total Net Position of Governmental Activities	<u>\$ 37,328,599</u>	<u>\$ 36,783,096</u>

See accompanying Notes to the Financial Statements.

**CITY OF BUFFALO, MINNESOTA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2015  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014)**

	2015		
	General Fund	Debt Service Fund	Capital Project Fund
<b>REVENUES</b>			
General Property Taxes	\$ 3,271,306	\$ 1,958,501	\$ -
Tax Increments	-	-	-
Other Taxes	2,144	-	-
Licenses and Permits	382,675	-	-
Intergovernmental	1,054,808	109,725	6,431,694
Special Assessments	9,482	80,879	-
Charges for Services	1,675,613	-	-
Fines and Forfeits	31,465	-	-
Investment Earnings (Loss)	2,962	1,821	5,210
Refunds and Reimbursements	105,167	-	77,002
Grants and Contributions	38,984	-	-
Miscellaneous	20,028	-	6,660
Total Revenues	<u>6,594,634</u>	<u>2,150,926</u>	<u>6,520,566</u>
<b>EXPENDITURES</b>			
Current:			
General Government	1,090,367	-	-
Public Safety	2,440,038	-	-
Public Works	1,365,774	-	-
Sanitation	781,798	-	-
Culture and Recreation	960,220	-	-
Community Development	-	-	-
Capital Outlay:			
General Government	16,120	-	-
Public Safety	87,634	-	-
Public Works	118,395	-	11,484,095
Culture and Recreation	97,617	-	-
Community Development	-	-	-
Capital Leases:			
Principal	181,533	-	-
Interest and Fiscal Charges	10,170	-	-
Debt Service:			
Principal	36,401	2,018,214	-
Interest and Fiscal Charges	5,406	657,575	201,667
Total Expenditures	<u>7,191,473</u>	<u>2,675,789</u>	<u>11,685,762</u>
Revenue Over (Under) Expenditures	(596,839)	(524,863)	(5,165,196)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In	1,400,000	206,554	887,530
Transfer Out	(445,566)	-	-
Bond Proceeds	-	184,363	7,260,637
Proceeds from Sale of Capital Assets	35,651	-	-
Insurance Proceeds	-	-	-
Capital Lease Proceeds	119,679	-	-
Bond Premium	-	-	199,451
Total Other Financing Sources (Uses)	<u>1,109,764</u>	<u>390,917</u>	<u>8,347,618</u>
<b>NET CHANGE IN FUND BALANCE</b>	512,925	(133,946)	3,182,422
Fund Balance (Deficit) - Beginning of Year	3,545,922	4,712,291	(106,764)
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ 4,058,847</u>	<u>\$ 4,578,345</u>	<u>\$ 3,075,658</u>

HRA Debt Service Fund	2015		2014	
	Other Governmental Funds	Total Governmental Funds	Total Governmental Funds	Total Governmental Funds
\$ -	\$ 276,134	\$ 5,505,941	\$ 5,241,212	
-	69,085	69,085	69,958	
-	-	2,144	2,095	
-	-	382,675	260,329	
-	196,998	7,793,225	3,266,440	
-	-	90,361	256,816	
-	1,501,435	3,177,048	2,994,174	
-	-	31,465	32,468	
246,008	5,439	261,440	268,083	
375,000	1,750	558,919	437,252	
-	60,160	99,144	98,809	
-	1,080	27,768	67,357	
<u>621,008</u>	<u>2,112,081</u>	<u>17,999,215</u>	<u>12,994,993</u>	
-	-	1,090,367	1,133,287	
-	361,089	2,801,127	2,733,043	
-	-	1,365,774	1,436,046	
-	-	781,798	758,092	
-	1,143,174	2,103,394	1,991,920	
899	173,611	174,510	119,790	
-	-	16,120	56,813	
-	98,950	186,584	159,373	
-	-	11,602,490	4,299,679	
-	55,765	153,382	243,888	
-	133,242	133,242	43,569	
-	107,195	288,728	261,868	
-	4,702	14,872	17,543	
392,000	-	2,446,615	1,973,895	
251,515	-	1,116,163	878,455	
<u>644,414</u>	<u>2,077,728</u>	<u>24,275,166</u>	<u>16,107,261</u>	
(23,406)	34,353	(6,275,951)	(3,112,268)	
138,297	115,000	2,747,381	1,835,210	
(46,763)	(217,522)	(709,851)	(335,210)	
-	-	7,445,000	-	
-	-	35,651	4,500	
-	-	-	16,315	
-	29,945	149,624	319,565	
-	-	199,451	-	
<u>91,534</u>	<u>(72,577)</u>	<u>9,867,256</u>	<u>1,840,380</u>	
68,128	(38,224)	3,591,305	(1,271,888)	
<u>(1,883,363)</u>	<u>(1,467,543)</u>	<u>4,800,543</u>	<u>6,072,431</u>	
<u>\$ (1,815,235)</u>	<u>\$ (1,505,767)</u>	<u>\$ 8,391,848</u>	<u>\$ 4,800,543</u>	

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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, 2015**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014)**

	2015	2014
Net Change in Fund Balances-Total Governmental Funds	\$ 3,591,305	\$ (1,271,888)
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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.</p>		
Capital Outlays	8,001,375	4,544,747
Gain (Loss) on Disposal of Capital Assets	-	(248,192)
Capital Assets Contributed to Business-Type Funds	(1,560,599)	(704,214)
Depreciation Expense	(4,286,756)	(4,233,315)
<p>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.</p>		
Capital Lease Proceeds	(149,624)	(319,565)
Principal Payments for Capital Leases	288,728	261,868
<p>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 of these differences in the treatment of general obligation bonds and related items is as follows:</p>		
General Obligation Bond Proceeds	(7,445,000)	-
Bond Discount/Premium	(199,451)	-
Repayment of Bond Principal and Note Payable	2,446,615	1,973,895
Change in Accrued Interest Expense for General Obligation Bonds	(52,031)	14,798
Amortization of Refunding Loss on Bonds	(4,669)	(4,670)
Amortization of Bond Premium	50,385	39,375
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.	2,124,833	(481,940)
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.	(47,857)	-
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).	(1,075)	(4,568)
The net revenue of certain activities of the internal service fund is reported with governmental activities.	53,906	18,963
Change in Net Position of Governmental Activities	\$ 2,810,085	\$ (414,706)

See accompanying Notes to the Financial Statements.

**CITY OF BUFFALO, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 DECEMBER 31, 2015  
 (WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2014)**

<b>ASSETS</b>	2015	
	Electric	Water and Sewer
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ -
Accounts Receivable, Net of Allowance	1,080,882	403,504
Accrued Interest Receivable	647	-
Taxes Receivable	-	4,937
Sewer and Water Hook-up Fees Receivable - Current Portion	-	6,700
Due from Other Governments	24	2,541
Due from Other Funds	2,348,529	2,455,460
Inventory	830,970	8,335
Prepaid Expenses	12,289	8,120
Total Current Assets	4,273,341	2,889,597
<b>LONG-TERM ASSETS</b>		
Sewer and Water Hook-up Fees Receivable - Long-Term	-	99,880
Advance to Other Funds	109,388	150,000
Capital Assets:		
Land, Buildings, Infrastructure, and Improvements	26,451,616	94,824,164
Equipment	5,383,722	1,637,879
Construction in Progress	21,229	-
Total Capital Assets	31,856,567	96,462,043
Less: Allowance for Depreciation	(15,582,038)	(32,946,837)
Total Net Capital Assets	16,274,529	63,515,206
Total Long-Term Assets	16,383,917	63,765,086
Total Assets	20,657,258	66,654,683
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Refunding Loss on Bonds	-	343,480
Pension Related	106,472	78,951
Total Deferred Outflow of Resources	106,472	422,431
Total Assets and Deferred Outflow of Resources	\$ 20,763,730	\$ 67,077,114

See accompanying Notes to the Financial Statements.

Enterprise Funds 2015			2014	2015
Liquor	Golf Course	Total	Total	Internal Service Fund
\$ 52,004	\$ -	\$ 52,004	\$ 1,589,243	\$ 146,158
35	5,983	1,490,404	1,603,646	9,639
-	-	647	884	-
870	-	5,807	4,548	-
-	-	6,700	10,499	-
599	-	3,164	1,760	-
-	-	4,803,989	5,989,884	-
573,802	19,835	1,432,942	1,492,117	-
6,302	2,060	28,771	3,337	-
<u>633,612</u>	<u>27,878</u>	<u>7,824,428</u>	<u>10,695,918</u>	<u>155,797</u>
-	-	99,880	82,053	-
-	457,746	717,134	832,134	-
2,021,557	3,345,586	126,642,923	122,892,168	-
459,223	1,194,886	8,675,710	8,152,110	-
-	-	21,229	481,425	-
<u>2,480,780</u>	<u>4,540,472</u>	<u>135,339,862</u>	<u>131,525,703</u>	<u>-</u>
<u>(923,388)</u>	<u>(1,662,757)</u>	<u>(51,115,020)</u>	<u>(47,688,254)</u>	<u>-</u>
<u>1,557,392</u>	<u>2,877,715</u>	<u>84,224,842</u>	<u>83,837,449</u>	<u>-</u>
<u>1,557,392</u>	<u>3,335,461</u>	<u>85,041,856</u>	<u>84,751,636</u>	<u>-</u>
2,191,004	3,363,339	92,866,284	95,447,554	155,797
-	-	343,480	405,980	-
49,626	27,069	262,118	-	-
<u>49,626</u>	<u>27,069</u>	<u>605,598</u>	<u>405,980</u>	<u>-</u>
<u>\$ 2,240,630</u>	<u>\$ 3,390,408</u>	<u>\$ 93,471,882</u>	<u>\$ 95,853,534</u>	<u>\$ 155,797</u>

**CITY OF BUFFALO, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION (CONTINUED)  
 DECEMBER 31, 2015  
 (WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2014)**

<b>LIABILITIES</b>	2015	
	Electric	Water and Sewer
<b>CURRENT LIABILITIES</b>		
Accounts and Contracts Payable	\$ 665,893	\$ 132,343
Accrued Expenses	80,747	37,147
Due to Other Governments	-	2,033
Due to Other Funds	2,819	-
Accrued Interest	30,150	267,351
Unearned Revenue	63	-
Compensated Absences - Current Portion	62,726	53,664
Capital Lease Obligation - Current Portion	28,455	80,197
Interfund Lease Payable - Current Portion	-	-
Bonds Payable - Current Portion	600,000	2,076,786
Total Current Liabilities	1,470,853	2,649,521
<b>LONG-TERM LIABILITIES</b>		
Escrow Deposits	-	-
Compensated Absences - Long-Term	58,833	13,562
Capital Lease Obligation - Long-Term	70,640	226,268
Bonds Payable - Long-Term	4,953,360	59,973,585
Interfund Lease Payable - Long-Term	-	-
Advance from Other Funds	-	-
Net Pension Liability	796,221	590,418
Total Long-Term Liabilities	5,879,054	60,803,833
Total Liabilities	7,349,907	63,453,354
<b>DEFERRED INFLOW OF RESOURCES</b>		
Pension Related	108,323	80,324
<b>NET POSITION</b>		
Net Investment in Capital Assets	11,053,027	1,446,398
Unrestricted	2,252,473	2,097,038
Total Net Position	13,305,500	3,543,436
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 20,763,730	\$ 67,077,114

See accompanying Notes to Financial Statements.

Enterprise Funds 2015			2014	2015
Liquor	Golf Course	Total	Total	Internal Service Fund
\$ 58,253	\$ 36,807	\$ 893,296	\$ 1,226,603	\$ 82,928
67,063	6,047	191,004	179,361	-
-	2,147	4,180	18,863	-
-	5,521,309	5,524,128	4,820,024	-
3,374	-	300,875	391,777	-
-	29,204	29,267	27,846	-
19,718	14,567	150,675	149,906	-
95,679	111,608	315,939	217,490	-
-	-	-	220,000	-
-	-	2,676,786	2,551,786	-
<u>244,087</u>	<u>5,721,689</u>	<u>10,086,150</u>	<u>9,803,656</u>	<u>82,928</u>
-	-	-	111,480	-
24,152	6,520	103,067	100,652	-
255,717	283,216	835,841	725,118	-
-	-	64,926,945	67,420,186	-
-	3,555,000	3,555,000	3,555,000	-
150,000	-	150,000	200,000	-
371,120	202,429	1,960,188	-	-
<u>800,989</u>	<u>4,047,165</u>	<u>71,531,041</u>	<u>72,112,436</u>	<u>-</u>
1,045,076	9,768,854	81,617,191	81,916,092	82,928
50,490	27,540	266,677	-	-
1,205,990	(447,683)	13,257,732	12,651,454	-
(60,926)	(5,958,303)	(1,669,718)	1,285,988	72,869
<u>1,145,064</u>	<u>(6,405,986)</u>	<u>11,588,014</u>	<u>13,937,442</u>	<u>72,869</u>
<u>\$ 2,240,630</u>	<u>\$ 3,390,408</u>	<u>\$ 93,471,882</u>	<u>\$ 95,853,534</u>	<u>\$ 155,797</u>

**CITY OF BUFFALO, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 YEAR ENDED DECEMBER 31, 2015  
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014)**

	2015	
	Electric	Water and Sewer
<b>GROSS PROFIT AND OPERATING REVENUES</b>		
Sales	\$ -	\$ -
Costs of Goods Sold	-	-
Charges for Services	12,579,800	4,906,211
Premiums	-	-
Total Gross Profit and Operating Revenues	<u>12,579,800</u>	<u>4,906,211</u>
<b>OPERATING EXPENSES</b>		
Cost of Sales and Services	9,159,497	1,430,933
Compensation and Employee Benefits	1,109,777	864,424
Claims Paid	-	-
Administration Fees	-	-
Depreciation	1,085,392	2,139,066
Total Operating Expenses	<u>11,354,666</u>	<u>4,434,423</u>
<b>OPERATING INCOME (LOSS)</b>	1,225,134	471,788
<b>OTHER INCOME (EXPENSE)</b>		
Interest Income (Loss)	3,904	1,435
Interest Expense	(35,258)	(2,373,478)
Taxes and Special Assessments	33	460,803
Intergovernmental Revenues	-	5,157
Access Fees	19,000	369,510
Refunds and Reimbursements	48,317	-
Miscellaneous Revenue	21,693	12,281
Total Other Income (Expense)	<u>57,689</u>	<u>(1,524,292)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	1,282,823	(1,052,504)
<b>CONTRIBUTIONS AND TRANSFERS</b>		
Transfers Out	(1,537,530)	-
Capital Contributions to Other Funds	-	(5,562)
Capital Contributed from Other Funds	1,015,617	550,544
Total Contributions and Transfers	<u>(521,913)</u>	<u>544,982</u>
<b>CHANGE IN NET POSITION</b>	760,910	(507,522)
Net Position - Beginning of Year	13,324,413	4,629,217
Prior Period Adjustment	(779,823)	(578,259)
Restated Net Position - Beginning of Year	<u>12,544,590</u>	<u>4,050,958</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 13,305,500</u>	<u>\$ 3,543,436</u>

See accompanying Notes to Financial Statements.

Enterprise Funds 2015			2014	2015
Liquor	Golf Course	Total	Total	Internal Service Fund
\$ 4,931,536	\$ 64,804	\$ 4,996,340	\$ 4,708,823	\$ -
(3,611,432)	(51,597)	(3,663,029)	(3,362,584)	-
-	613,608	18,099,619	17,638,456	-
-	-	-	-	697,017
<u>1,320,104</u>	<u>626,815</u>	<u>19,432,930</u>	<u>18,984,695</u>	<u>697,017</u>
248,196	617,423	11,456,049	11,026,272	-
546,020	443,686	2,963,907	2,930,703	-
-	-	-	-	474,912
-	-	-	-	168,322
62,025	140,283	3,426,766	3,304,460	-
<u>856,241</u>	<u>1,201,392</u>	<u>17,846,722</u>	<u>17,261,435</u>	<u>643,234</u>
463,863	(574,577)	1,586,208	1,723,260	53,783
223	-	5,562	101,990	123
(25,399)	(168,663)	(2,602,798)	(3,333,359)	-
112,063	-	572,899	639,400	-
-	-	5,157	-	-
-	-	388,510	375,776	-
-	1	48,318	29,236	-
1,196	8,296	43,466	86,859	-
<u>88,083</u>	<u>(160,366)</u>	<u>(1,538,886)</u>	<u>(2,100,098)</u>	<u>123</u>
551,946	(734,943)	47,322	(376,838)	53,906
(500,000)	-	(2,037,530)	(1,500,000)	-
-	-	(5,562)	(15,676)	-
-	-	1,566,161	719,890	-
<u>(500,000)</u>	<u>-</u>	<u>(476,931)</u>	<u>(795,786)</u>	<u>-</u>
51,946	(734,943)	(429,609)	(1,172,624)	53,906
1,456,595	(5,472,783)	13,937,442	15,110,066	18,963
(363,477)	(198,260)	(1,919,819)	-	-
<u>1,093,118</u>	<u>(5,671,043)</u>	<u>12,017,623</u>	<u>15,110,066</u>	<u>18,963</u>
<u>\$ 1,145,064</u>	<u>\$ (6,405,986)</u>	<u>\$ 11,588,014</u>	<u>\$ 13,937,442</u>	<u>\$ 72,869</u>

**CITY OF BUFFALO, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED DECEMBER 31, 2015  
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014)**

	2015	
	Electric	Water & Sewer
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers and Service Users	\$ 12,675,835	\$ 4,790,490
Cash Received from Internal Services Provided	-	-
Cash Paid to Suppliers	(9,413,398)	(1,495,913)
Cash Paid to Employees	(1,095,156)	(844,915)
Net Cash Provided (Used) by Operating Activities	<u>2,167,281</u>	<u>2,449,662</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Interfund Borrowing	(1,537,530)	-
Interfund Note Receivable	-	50,000
Advance To/From Other Funds	30,303	1,220,592
Property Tax Revenues	13	457,011
Water and Sewer Hook-up Fee Revenues	-	(14,028)
Miscellaneous Revenues	70,009	12,280
Intergovernmental Revenues	-	5,157
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,437,205)</u>	<u>1,731,012</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Bonds	1,185,000	-
Payments on Bond Issuance Costs, Premiums and Discounts	-	62,497
Interfund Lease Payable	-	-
Access Fees	19,000	369,510
Acquisition and Construction of Capital Assets	(1,632,056)	(537,816)
Interest Paid on Revenue Bonds	(67,489)	(2,268,915)
Interest Paid on Capital Lease Obligations	(1,454)	(2,373)
Proceeds from Capital Lease	54,737	168,693
Principal Payments on Capital Lease Obligation	(22,404)	(61,919)
Principal Payments on Revenue Bonds	(1,800,000)	(1,911,786)
Net Cash Used by Capital and Related Financing Activities	<u>(2,264,666)</u>	<u>(4,182,109)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income (Loss)	<u>4,141</u>	<u>1,435</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,530,449)	-
Cash and Cash Equivalents - Beginning of Year	<u>1,530,449</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>
<b>NONCASH TRANSACTIONS</b>		
Capital Lease Proceeds	\$ 54,737	\$ 168,693
Capital Contributed From Other Funds	1,015,617	550,544
Capital Contributed to Governmental Activities	-	(5,562)
Interest Accretion on Capital Appreciation Bonds	-	283,898
Amortized Premiums and Refunding Loss	-	(475,444)
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 1,070,354</u>	<u>\$ 522,129</u>

See accompanying Notes to Financial Statements.



	2015		2014	2015
Liquor	Golf Course	Total	Total	Internal Services Fund
\$ 4,929,574	\$ 688,631	\$ 23,084,530	\$ 22,288,098	\$ -
-	-	-	-	687,378
(3,855,598)	(636,841)	(15,401,750)	(14,446,779)	(605,138)
(527,010)	(454,033)	(2,921,114)	(2,916,744)	-
<u>546,966</u>	<u>(402,243)</u>	<u>4,761,666</u>	<u>4,924,575</u>	<u>82,240</u>
(500,000)	704,104	(1,333,426)	(773,332)	-
-	-	50,000	50,000	-
(50,000)	-	1,200,895	(1,974,949)	-
113,212	-	570,236	636,890	-
-	-	(14,028)	53,861	-
1,194	8,298	91,781	116,771	-
-	-	5,157	-	-
<u>(435,594)</u>	<u>712,402</u>	<u>570,615</u>	<u>(1,890,759)</u>	<u>-</u>
-	-	1,185,000	32,740,000	-
-	-	62,497	1,357,701	-
-	(220,000)	(220,000)	(165,000)	-
-	-	388,510	375,776	-
-	(83,688)	(2,253,560)	(3,464,122)	-
(6,629)	-	(2,343,033)	(6,690,230)	-
(19,629)	(168,663)	(192,119)	(198,407)	-
-	249,192	472,622	368,815	-
(92,127)	(87,000)	(263,450)	(188,000)	-
-	-	(3,711,786)	(30,406,625)	-
<u>(118,385)</u>	<u>(310,159)</u>	<u>(6,875,319)</u>	<u>(6,270,092)</u>	<u>-</u>
223	-	5,799	101,820	123
(6,790)	-	(1,537,239)	(3,134,456)	82,363
58,794	-	1,589,243	4,723,699	63,795
<u>\$ 52,004</u>	<u>\$ -</u>	<u>\$ 52,004</u>	<u>\$ 1,589,243</u>	<u>\$ 146,158</u>
\$ -	\$ 249,192	\$ 472,622	\$ 368,815	\$ -
-	-	1,566,161	719,890	-
-	-	(5,562)	(15,676)	-
-	-	283,898	(3,460,204)	-
-	-	(475,444)	(487,656)	-
<u>\$ -</u>	<u>\$ 249,192</u>	<u>\$ 1,841,675</u>	<u>\$ (2,874,831)</u>	<u>\$ -</u>

**CITY OF BUFFALO, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2015  
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014)**

	2015	
	Electric	Water and Sewer
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ 1,225,134	\$ 471,788
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,085,392	2,139,066
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	96,035	10,374
(Increase) Decrease in Prepaid Items	(9,093)	(7,979)
(Increase) Decrease in Inventory	42,223	-
(Increase) Decrease in Deferred Outflow of Resources	(106,472)	(78,951)
Increase (Decrease) in Accounts and Contracts Payable	(287,031)	(73,895)
Increase (Decrease) in Accrued Expenses	(6,819)	16,894
Increase (Decrease) in Due to Other Governments	-	(14,615)
Increase (Decrease) in Unearned Revenue	-	-
Increase (Decrease) in Escrow Deposits	-	(111,480)
Increase (Decrease) in Net Pension Liability	16,398	12,159
Increase (Decrease) in Deferred Inflow of Resources	108,323	80,324
Increase (Decrease) in Accrued Compensated Absences	3,191	5,977
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,167,281</u>	<u>\$ 2,449,662</u>

See accompanying Notes to the Financial Statements.

	2015		2014	2015
Liquor	Golf Course	Total	Total	Internal Service Fund
\$ 463,863	\$ (574,577)	\$ 1,586,208	\$ 1,723,260	\$ 53,783
62,025	140,283	3,426,766	3,304,460	-
-	6,836	113,245	(44,604)	(9,639)
(6,302)	(2,060)	(25,434)	190	-
8,183	8,769	59,175	(103,163)	-
(49,626)	(27,069)	(262,118)	-	-
2,149	25,470	(333,307)	46,657	38,096
4,409	(2,841)	11,643	12,468	-
-	(68)	(14,683)	198	-
(1,962)	3,383	1,421	(17,368)	-
-	-	(111,480)	-	-
7,643	4,169	40,369	-	-
50,490	27,540	266,677	-	-
6,094	(12,078)	3,184	2,477	-
<u>\$ 546,966</u>	<u>\$ (402,243)</u>	<u>\$ 4,761,666</u>	<u>\$ 4,924,575</u>	<u>\$ 82,240</u>

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## **NOTES TO FINANCIAL STATEMENTS**



**CITY OF BUFFALO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Buffalo, 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 of Buffalo 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 of Buffalo 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 FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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 FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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 FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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 FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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 FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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 FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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, 2015 for the HRA loans is \$8,295 and the estimated allowance for the revolving loan program is \$147,686.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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 fair market 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 fair market 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 FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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 an 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 FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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. 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 can be found in Note 6 to the financial statements.

**14. 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 two 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 not 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 as described in Note 6 to the financial statements.

**15. 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 FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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)

**16. 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.

**17. 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, 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.

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 FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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. 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, 2015, 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 2015 were \$8,140.

A. Deposits

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 FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

B. Investments

The City may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies;
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less;
- General obligations rated “A” or better; revenue obligations rated “AA” or better;
- General obligations of the Minnesota Housing Finance Agency rated “A” or better;
- Bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System;
- Commercial paper issued by United States corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing 270 days or less;
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks, or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in one of the top two rating categories;
- Repurchase or reverse purchase agreements and security lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

As of December 31, 2015, the City had the following investments:

Investment	Credit Rating	Maturity	Fair Value	Percent of Total
First American Treasury Obligations Fund - Class A	AAA	N/A	\$ 402,326	61.68%
Negotiable Certificates of Deposit:				
Wells Fargo	NR	7/29/2016	250,000	38.32
Total			<u>\$ 652,326</u>	

*NR - Not Rated*

**Interest Rate Risk** – This is the risk that arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City implemented a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maximum maturity for US Treasury securities, federal agency securities, and brokered certificates of deposits is 10 years and commercial paper is 270 days.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

B. Investments (Continued)

**Credit Risk** – Minnesota Statutes restrict the types of investments the City may invest in. The City has an investment policy that limits its investment choices to commercial paper with a minimum credit quality of A1/P1 or better and brokered certificates of deposit with 150 IDC or higher.

**Concentration of Credit Risk** – The City’s investment policy places the following limits on the amount the City may invest in any one issuer: \$5,000,000 for commercial paper and \$1,000,000 for brokered certificates of deposit. Percentages of concentration of credit risk by investment are shown in the table on the previous page.

**Custodial Credit Risk** – Investments – For an investment, this is that risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy limits brokered certificates of deposit to \$250,000 (the amount of FDIC coverage).

The deposits and investments are presented in the financial statements as follows:

Cash	\$	6,757,003
Money Market Accounts		3,031
Non-Negotiable Certificates of Deposit		1,581,279
Investments		652,326
Total Cash and Investments	\$	<u>8,993,639</u>
Cash and Investments	\$	8,591,314
Restricted Cash and Investments		402,325
Total Cash and Investments	\$	<u>8,993,639</u>

**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 will begin upon completion of the facility. The total loan receivable will be \$3,400,000 upon completion of the facility. It has an interest rate of 2.87% and is set to mature in 2036. As of December 31, 2015, the lease receivable is \$2,379,861, which is equal to the construction costs incurred to date on the facility.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,724,784	\$ 26,500	\$ -	\$ -	\$ 1,751,284
Construction in Progress	5,726,977	6,946,986	(3,405,707)	(1,566,161)	7,702,095
Total Capital Assets, Not Being Depreciated	<u>7,451,761</u>	<u>6,973,486</u>	<u>(3,405,707)</u>	<u>(1,566,161)</u>	<u>9,453,379</u>
Capital Assets, Being Depreciated:					
Land Improvements	13,942,154	753,961	-	-	14,696,115
Buildings and Building Improvements	17,376,192	53,770	-	-	17,429,962
Improvements Other than Buildings	3,358,356	10,775	(8,169)	-	3,360,962
Vehicles	3,315,362	160,194	(83,541)	-	3,392,015
Equipment	6,257,437	219,947	-	-	6,477,384
Infrastructure	74,391,938	3,234,949	-	5,562	77,632,449
Total Capital Assets, Being Depreciated	<u>118,641,439</u>	<u>4,433,596</u>	<u>(91,710)</u>	<u>5,562</u>	<u>122,988,887</u>
Accumulated Depreciation for:					
Land Improvements	(4,806,038)	(644,258)	-	-	(5,450,296)
Buildings and Building Improvements	(6,761,671)	(435,063)	-	-	(7,196,734)
Improvements Other than Buildings	(1,393,680)	(151,420)	8,169	-	(1,536,931)
Vehicles	(2,128,002)	(164,851)	83,541	-	(2,209,312)
Equipment	(4,752,567)	(409,948)	-	-	(5,162,515)
Infrastructure	(50,526,224)	(2,481,216)	-	-	(53,007,440)
Total Accumulated Depreciation	<u>(70,368,182)</u>	<u>(4,286,756)</u>	<u>91,710</u>	<u>-</u>	<u>(74,563,228)</u>
Total Capital Assets, Being Depreciated, Net	<u>48,273,257</u>	<u>146,840</u>	<u>-</u>	<u>5,562</u>	<u>48,425,659</u>
Governmental Activities Capital Assets, Net	<u>\$ 55,725,018</u>	<u>\$ 7,120,326</u>	<u>\$ (3,405,707)</u>	<u>\$ (1,560,599)</u>	<u>\$ 57,879,038</u>

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities:</b>	
General Government	\$ 93,039
Public Safety	308,128
Public Works	3,022,690
Parks, Culture and Recreation	862,899
Total Depreciation Expense, Governmental Activities	<u>\$ 4,286,756</u>

In 2015, \$1,566,161 (net) of infrastructure assets were contributed from governmental activities to business-type activities and \$5,562 of infrastructure assets were contributed from business-type activities to governmental activities.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-Type Activities:</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 2,534,091	\$ -	\$ -	\$ 102,864	\$ 2,636,955
Construction in Progress	481,425	472,070	(932,266)	-	21,229
Total Capital Assets, Not Being Depreciated	<u>3,015,516</u>	<u>472,070</u>	<u>(932,266)</u>	<u>102,864</u>	<u>2,658,184</u>
Capital Assets, Being Depreciated:					
Land Improvements	2,667,457	-	-	-	2,667,457
Buildings and Building Improvements	49,906,157	120,077	-	-	50,026,234
Utility Distributions Systems	67,783,319	2,100,515	-	1,428,443	71,312,277
Machinery and Shop Equipment	8,153,254	493,164	-	29,292	8,675,710
Total Capital Assets, Being Depreciated	<u>128,510,187</u>	<u>2,713,756</u>	<u>-</u>	<u>1,457,735</u>	<u>132,681,678</u>
Accumulated Depreciation for:					
Land Improvements	(1,003,282)	(69,966)	-	-	(1,073,248)
Buildings and Building Improvements	(16,655,416)	(1,056,622)	-	-	(17,712,038)
Utility Distributions Systems	(24,593,041)	(1,835,754)	-	-	(26,428,795)
Machinery and Shop Equipment	(5,436,515)	(464,424)	-	-	(5,900,939)
Total Accumulated Depreciation	<u>(47,688,254)</u>	<u>(3,426,766)</u>	<u>-</u>	<u>-</u>	<u>(51,115,020)</u>
Total Capital Assets, Being Depreciated, Net	<u>80,821,933</u>	<u>(713,010)</u>	<u>-</u>	<u>1,457,735</u>	<u>81,566,658</u>
Business-Type Activities Capital Assets, Net	<u>\$ 83,837,449</u>	<u>\$ (240,940)</u>	<u>\$ (932,266)</u>	<u>\$ 1,560,599</u>	<u>\$ 84,224,842</u>

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

<b>Business-Type Activities:</b>	
Electric Fund	\$ 1,085,392
Water and Sewer Fund	2,139,066
Liquor Fund	62,025
Golf Course Fund	140,283
Total Depreciation Expense, Business-Type Activities	<u>\$ 3,426,766</u>

**CITY OF BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 5 CITY INDEBTEDNESS**

City indebtedness at December 31, 2015 is composed of the following:

Description	Initial Amount Issued	Maturity Date	Interest Rate	Outstanding Principal
<b>General Obligation Bonds:</b>				
Governmental Activities:				
2008 G.O. Street Reconstruction Bonds #2008D	\$ 1,715,000	2019	3.50-4.50%	\$ 830,000
2009 G.O. Refunding Bonds #2009A	2,460,000	2016	2.00-3.00	305,000
2009 G.O. Bonds #2009D	3,685,000	2025	3.00-4.00	3,350,000
2010 G.O. Bonds #2010A	1,070,000	2021	2.00-4.00	385,000
2010 G.O. Refunding Bonds #2010C	2,145,000	2028	2.00-3.80	1,815,000
2010 G.O. Bonds #2010C	425,000	2028	2.00-3.80	365,000
2011 G.O. Capital Improvement Refunding #2011A	5,925,000	2024	0.40-3.15	5,235,000
2012 G.O. Refunding #2012B	1,555,000	2020	2.00	935,000
2013 G.O. Bonds #2013A	3,575,000	2024	2.00	3,230,000
2013 G.O. Bonds #2013B	585,000	2028	3.00-3.40	515,000
2015 G.O. Bonds #2015A	4,045,000	2031	2.00-3.00	4,045,000
Total Governmental Activities - G.O. Bonds	<u>27,185,000</u>			<u>21,010,000</u>
Business-Type Activities:				
2010 G.O. Bonds #2010A	2,385,000	2026	2.00-4.00	1,955,000
2010 G.O. Bonds #2010C	1,320,000	2019	2.00-3.80	760,000
2013 G.O. Equipment Certificates #2013A	1,455,000	2022	2.00	1,320,000
2013 G.O. Bonds #2013B	440,000	2028	3.00-3.40	390,000
2013 G.O. Bonds #2013B	2,675,000	2017	3.00	1,470,000
Total Business-Type Activities - G.O. Bonds	<u>8,275,000</u>			<u>5,895,000</u>
Total General Obligation Bonds	<u>\$ 35,460,000</u>			<u>\$ 26,905,000</u>
<b>Special Assessments and Tax Abatement Bonds:</b>				
Governmental Activities:				
2005 Improvement Bonds #2005B	\$ 975,000	2016	3.25-4.00%	\$ 15,000
2012 G.O. Tax Abatement Bonds #2012C	1,955,000	2033	0.65-3.20	1,815,000
2015 G.O. Tax Abatement Bonds #2015C	3,400,000	2036	1.00-3.05	3,400,000
Total Special Assessment Bonds	<u>\$ 6,330,000</u>			<u>\$ 5,230,000</u>

**CITY OF BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 5 CITY INDEBTEDNESS (CONTINUED)**

Description	Initial Amount Issued	Maturity Date	Net Interest Rate	Outstanding Principal
<b>Capital Lease Obligations:</b>				
Governmental Activities:				
2012 Street and Parks Vehicles	\$ 95,937	2016	2.97%	\$ 10,048
2012 Fire and Street Equipment	821,044	2017	2.03	268,921
2013 MIS, Police, Garbage Equipment	178,894	2018	2.19	97,956
2014 MIS, Police, Street Equipment	319,565	2019	1.57	215,783
2015 Police, Street, Park, Civic Center Vehicles and Equipment	<u>149,624</u>	2020	1.51	<u>134,834</u>
Total General Obligation Capital Lease Purchase Obligations	<u>\$ 1,565,064</u>			<u>\$ 727,542</u>
<b>Note Payable:</b>				
Governmental Activities:				
Note Payable - ISD 877	<u>\$ 250,000</u>	2018	4.25%	<u>\$ 98,080</u>
<b>General Obligation Revenue Bonds:</b>				
Business-Type Activities:				
2005 Electric Revenue Bonds #2005C	\$ 1,755,000	2016	3.752-4.38%	\$ 210,000
2007 G.O. Wastewater Revenue Bonds #2007A	10,915,000	2023	4.00-4.25	8,135,000
2009 G.O. Water and Sewer Refunding Rev. Bonds #2009B	4,712,560	2025	4.35-4.94	4,712,560
2009 G.O. Utility Revenue Bonds #2009E	3,004,194	2024	2.00-3.75	1,940,459
2009 G.O. Water and Sewer Rev. Refunding Bonds #2009F	870,000	2016	1.00-2.65	135,000
2010 Electric Revenue Bonds #2010B	955,000	2021	2.50-3.70	895,000
2011 G.O. Water and Sewer Revenue Bonds, #2011B	3,575,000	2032	0.65-4.30	3,155,000
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	30,860,000
2014 Electric Revenue Bonds #2014B	1,880,000	2025	2.75-3.00	1,880,000
2015 Electric Revenue Refunding Bonds #2015B	<u>1,185,000</u>	2022	2.00-2.15	<u>1,185,000</u>
Total Business-Type Activities Revenue Bonds	65,321,754			58,718,019
Governmental Activities:				
2005 Wild Marsh Revenue Bonds	4,380,000	2027	3.50-4.50	3,555,000
2009 G.O. Utility Revenue Bonds #2009E	220,806	2024	2.00-3.75	134,540
2009 HRA Revenue Bond	178,000	2020	4.82	97,000
2011 Public Facility Lease Revenue Bonds #2011A	<u>2,865,000</u>	2027	0.65-4.60	<u>2,230,000</u>
Total Governmental Activities Revenue Bonds	<u>7,643,806</u>			<u>6,016,540</u>
Total Revenue Bonds	<u>\$ 72,965,560</u>			<u>\$ 64,734,559</u>
<b>Revenue Lease Purchase Obligations:</b>				
Business-Type Activities:				
2004 Liquor Store Purchase/Remodel	\$ 1,195,000	2019	3.85%	\$ 344,961
2012 Wild Marsh Aerator	20,478	2016	2.97	2,144
2012 Golf Course Equipment	37,479	2017	2.03	12,421
2013 Wild Marsh, Electric, Water, Wastewater Equipment	214,238	2018	2.19	117,309
2014 Wild Marsh, Electric, Liquor, Wastewater Equipment	368,815	2019	1.57	249,033
2015 Wild Marsh, Water, and Wastewater Equipment	<u>472,622</u>	2020	1.51	<u>425,912</u>
Total Revenue Lease Purchase Obligations	<u>\$ 2,308,632</u>			<u>\$ 1,151,780</u>



**CITY OF BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 5 CITY INDEBTEDNESS (CONTINUED)**

The following is a schedule of changes in City indebtedness for the year ended December 31, 2015:

	Beginning of Year	Additions	Retirements	End of Year	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 18,820,000	\$ 4,045,000	\$ 1,855,000	\$ 21,010,000	\$ 1,865,000
Special Assessment Debt with Governmental Commitments	1,975,000	3,400,000	145,000	5,230,000	85,000
General Obligation Revenue Bond	6,426,754	-	410,214	6,016,540	416,213
Bond Subtotal	27,221,754	7,445,000	2,410,214	32,256,540	2,366,213
Bond Premium	280,761	199,451	50,385	429,827	-
Net Bond Subtotal	27,502,515	7,644,451	2,460,599	32,686,367	2,366,213
Capital Lease Obligations	866,646	149,624	288,728	727,542	308,908
Note Payable	134,481	-	36,401	98,080	37,975
Compensated Absences	372,840	227,383	226,308	373,915	195,885
Total Governmental Activities	28,876,482	8,021,458	3,012,036	33,885,904	2,908,981
<b>Business-Type Activities:</b>					
General Obligation Bonds	6,975,000	-	1,080,000	5,895,000	1,005,000
General Obligation Revenue Bonds	55,634,805	-	1,086,786	54,548,019	1,216,786
Electric Revenue Bonds	4,530,000	1,185,000	1,545,000	4,170,000	455,000
Bond Subtotal	67,139,805	1,185,000	3,711,786	64,613,019	2,676,786
Interest Accretion on Capital Appreciation Bonds	1,343,919	283,898	-	1,627,817	-
Bond Premium	1,488,248	16,938	142,291	1,362,895	-
Net Bond Subtotal	69,971,972	1,485,836	3,854,077	67,603,731	2,676,786
Revenue Lease Purchase Obligations	942,608	472,622	263,450	1,151,780	315,939
Compensated Absences	250,558	127,868	124,684	253,742	150,675
Total Business-Type Activities	71,165,138	2,086,326	4,242,211	69,009,253	3,143,400
Total Debt	\$ 100,041,620	\$ 10,107,784	\$ 7,254,247	\$ 102,895,157	\$ 6,052,381

Assets acquired through capital leases are as follows:

Asset:	Governmental Activities	Business-Type Activities
Land	\$ -	\$ 2,347,908
Buildings and Improvements	-	2,476,044
Vehicles and Equipment	1,552,593	2,199,214
Subtotal	1,552,593	7,023,166
Less: Accumulated Depreciation	(488,903)	(1,578,309)
Total	\$ 1,063,690	\$ 5,444,857

**CITY OF BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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				Totals
	Long-Term Debt		Notes and Capital Leases		
	Principal	Interest	Principal	Interest	
2016	\$ 2,366,213	\$ 930,254	\$ 346,883	\$ 14,226	\$ 3,657,576
2017	2,662,213	862,894	271,776	7,223	3,804,106
2018	2,412,214	799,486	142,389	2,447	3,356,536
2019	2,474,415	734,396	53,610	496	3,262,917
2020	2,485,415	670,180	10,964	36	3,166,595
2021-2025	13,021,070	2,223,665	-	-	15,244,735
2026-2030	4,940,000	592,207	-	-	5,532,207
2031-2035	1,680,000	132,085	-	-	1,812,085
2036	215,000	3,279	-	-	218,279
Totals	\$ 32,256,540	\$ 6,948,446	\$ 825,622	\$ 24,428	\$ 40,055,036

Year Ending December 31,	Business-Type Activities				Totals
	Long-Term Debt		Capital Leases		
	Principal	Interest	Principal	Interest	
2016	\$ 2,676,786	\$ 2,031,696	\$ 315,939	\$ 23,843	\$ 5,048,264
2017	2,716,786	1,953,656	317,904	16,727	5,005,073
2018	3,466,786	1,865,630	305,658	9,139	5,647,213
2019	3,600,585	1,746,101	177,635	2,440	5,526,761
2020	4,458,980	2,326,806	34,644	113	6,820,543
2021-2025	24,488,096	9,384,767	-	-	33,872,863
2026-2030	19,145,000	2,132,991	-	-	21,277,991
2031-2035	4,060,000	253,168	-	-	4,313,168
Totals	\$ 64,613,019	\$ 21,694,815	\$ 1,151,780	\$ 52,262	\$ 87,511,876

The annual requirements to amortize all long-term debt outstanding as of December 31, 2015, including interest of \$28,714,351 are as follows:

Year Ending December 31,	Amount
2016	\$ 8,705,840
2017	8,809,179
2018	9,003,749
2019	8,789,678
2020	9,987,138
2021-2025	49,117,598
2026-2030	26,810,198
2031-2035	6,125,253
2036	218,279
Total	\$ 127,566,912

**CITY OF BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5 CITY INDEBTEDNESS (CONTINUED)**

In 2015, the City issued \$4,045,000 General Obligation Bonds (Series 2015A) for the purpose of financing street reconstruction projects.

In addition, the City issued \$1,185,000 in Electric Revenue Refunding Bonds (Series 2015B) for the current refunding of the Series 2006C Electric Revenue bonds maturing in 2022. The total cash flow savings to the City attributable to the refunding of these bonds was \$121,877 with a net present value of approximately \$115,085.

Finally, the City issued \$3,400,000 General Obligation Tax Abatement Bonds (Series 2015C) for the purpose of financing the acquisition and construction of a transit facility. The City entered into a lease purchase agreement with Trailblazer Transit in relation to these bonds. As of December 31, 2015, there was \$2,379,861 of expenditures incurred. This is shown as a Lease Receivable in the Debt Service Fund (see Note 4).

**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 Fund (GERF)

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated plan.

2. Public Employees Police and Fire Fund (PEPFF)

The PEPFF, 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 PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

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

**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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

**1. GERF Benefits**

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 and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (method 1) or a level accrual formula (method 2). Under method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

**2. PEPFF Benefits**

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

**CITY OF BUFFALO, MINNESOTA  
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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. GERF Contributions

Basic plan members and Coordinated Plan members were required to contribute 9.10% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City contributions to the GERF for the year ended December 31, 2015 were \$274,878. The City contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The City contributions to the PEPFF for the year ended December 31, 2015 were \$164,981. The City contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. GERF Pension Costs

At December 31, 2015, the City reported a liability of \$3,373,820 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 0.0651%.

For the year ended December 31, 2015, the City recognized pension expense of \$353,423 for its proportionate share of the GERF's pension expense.

**CITY OF BUFFALO, MINNESOTA  
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**NOTE 6 PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

1. GERF Pension Costs (Continued)

At December 31, 2015, the City reported its proportionate share of the GERF's deferred outflow of resources and deferred inflow of resources related to pensions from the following sources:

Description	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 170,098
Changes in Actuarial Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	319,384	-
Changes in Proportion and Differences Between Agency Contributions and Proportionate Share of Contributions	-	288,898
City Contributions Subsequent to the Measurement Date	131,767	-
Total	<u>\$ 451,151</u>	<u>\$ 458,996</u>

\$131,767 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, 2016. 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 Expenses Amount
2016	\$ (73,152)
2017	(73,152)
2018	(73,152)
2019	79,844
Total	<u>\$ (139,612)</u>

**CITY OF BUFFALO, MINNESOTA  
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**NOTE 6 PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

2. PEPFF Pension Costs

At December 31, 2015, the City reported a liability of \$1,227,133 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 0.1080%.

For the year ended December 31, 2015, the City recognized pension expense of \$209,664 for its proportionate share of the PEPFF's pension expense. The City also recognized \$9,720 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the state of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2015, the City reported its proportionate share of the PEPFF's deferred outflow of resources and deferred inflow of resources related to pensions from the following sources:

Description	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences Between Expected and Actual		
Economic Experience	\$ -	\$ 199,001
Changes in Actuarial Assumptions	-	-
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	213,808	-
Changes in Proportion and Differences Between		
Agency Contributions and Proportionate		
Share of Contributions	-	9,000
City Contributions Subsequent to the		
Measurement Date	83,594	-
Total	<u>\$ 297,402</u>	<u>\$ 208,001</u>

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

D. Pension Costs (Continued)

2. PEPFF Pension Costs (Continued)

\$83,594 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, 2016. 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 Expenses Amount</u>
2016	\$ 11,852
2017	11,852
2018	11,852
2019	11,852
2020	(41,601)
Total	\$ 5,807

E. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

<u>Assumptions</u>	<u>GERF</u>
Inflation	2.75% per year
Salary Increases	3.50% per year
Investment Rate of Return	7.90% per year

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% effective every January 1 through 2026 and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies. The experience study in the GERP was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2015: the discount rate was changed from 8.0% through June 30, 2017 and 8.5% thereafter to 8.0% for all years, the inflation assumption was changed from 3.0% to 2.75%, the payroll growth assumption was changed from 3.75% to 3.5%, assumed increases in member salaries were decreased by 0.25% at all ages and the assumed postretirement benefit increase rate was changed from 1.0% per year through 2026 and 2.5% thereafter to 1.0% per year through 2034 and 2.5% per year thereafter.



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

E. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.9%. 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 Stocks	45 %	5.50 %
International Stocks	15	6.00
Bonds	18	1.45
Alternative Assets	20	6.40
Cash	2	0.50
Total	100	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.9% for GERF and PEPFF. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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 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:

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
<u>GERF Discount Rate</u>	6.90%	7.90%	8.90%
City's Proportionate Share of the GERF Net Pension Liability	\$ 5,304,844	\$ 3,373,820	\$ 1,779,091
 <u>PEPFF Discount Rate</u>	 6.90%	 7.90%	 8.90%
City's Proportionate Share of the PEPFF Net Pension Liability	\$ 2,391,695	\$ 1,227,133	\$ 265,002

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); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

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

A. Plan Description

Firefighters of the City of Buffalo 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, 2015, membership includes 34 active participants and 6 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  
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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 of Buffalo and state aid is determined as follows:

	Normal Cost	
	Amortization Payment on Unfunded Accrued	
+	Liability Prior to Any Change	
	Amortization Contribution on Unfunded Accrued	
+	Liability Attributed to Any Change	
+	Administrative Expenses	
-	Anticipated State Aid	
-	Projected Investment Earnings	
=	<b>Total Contribution Required</b>	

**CITY OF BUFFALO, MINNESOTA  
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**NOTE 7 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN  
(CONTINUED)**

C. Contributions (Continued)

The Plan is funded in part by fire state aid and, if necessary, City contributions. The state of Minnesota distributed to the City \$114,407 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2015. 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, 2015 was \$-0-.

D. Pension Costs

At December 31, 2015, the City reported an asset of \$121,989 for the Association's net pension asset. The net pension asset was measured as of December 31, 2015, 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 \$97,494 for the year ended December 31, 2015. At December 31, 2015, the City reported deferred outflow of resources and deferred inflow of resources from the following sources:

Description	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ -
Changes in Actuarial Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	120,222	-
City Contributions Subsequent to the Measurement Date	-	-
Total	<u>\$ 120,222</u>	<u>\$ -</u>

**CITY OF BUFFALO, MINNESOTA  
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**NOTE 7 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN  
(CONTINUED)**

D. Pension Costs (Continued)

Since the measurement date is the same as the City's year-end, no contributions subsequent to the measurement date are included as deferred outflows. Other 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>	<u>Pension Expenses Amount</u>
2016	\$ 30,055
2017	30,055
2018	30,055
2019	30,057
Total	<u>\$ 120,222</u>

E. Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date:	December 31, 2015
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Dollar Closed
Actuarial Assumptions:	
Discount Rate	5.25%
Investment Rate of Return	5.25%
20-Year Municipal Bond Yield	3.57%
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.

**CITY OF BUFFALO, MINNESOTA  
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**NOTE 7 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN  
(CONTINUED)**

**E. Actuarial Assumptions (Continued)**

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, 2015 are summarized in the following table:

Asset Class	Portfolio Weight	Expected Nominal Rate of Return
Cash	20.17 %	3.00 %
Domestic Equity	57.32	8.00
International Equity	4.60	8.00
Fixed Income	17.30	4.50
Real Estate and Alternatives	0.61	6.50
Total	100.00	

**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:

	1% Decrease	Selected Discount Rate	1% Increase
Net Pension Liability (Asset)	\$ (81,716)	\$ (121,989)	\$ (161,524)
Discount Rate	4.25%	5.25%	6.25%

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

H. Plan's Fiduciary Net Position

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

<b>Assets</b>	
Cash	\$ 240,415
Cash Position of Mutual Funds	73,187
Investments	1,240,798
Contributions Receivable	2,000
Total Assets	<u>\$ 1,556,400</u>
<b>Net Position</b>	
Unrestricted	<u>\$ 1,556,400</u>
<b>Revenues</b>	
Fire State Aid	\$ 113,407
State Supplemental Reimbursement	1,000
Municipal Contribution	2,500
Outside Donations and Other Income	2,232
Investment Earnings	(69,541)
Total Revenues	<u>49,598</u>
<b>Expenses</b>	
Pension Distributions	22,551
Administrative Expense	4,990
Total Expenses	<u>27,541</u>
<b>CHANGE IN NET POSITION</b>	22,057
Net Position - Beginning of Year	<u>1,534,343</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 1,556,400</u>

**CITY OF BUFFALO, MINNESOTA  
NOTES TO 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, 2015
<u>Total Pension Asset</u>	
Service Cost	\$ 73,304
Interest	72,113
Benefit Payments, Including Member Refunds	<u>(22,551)</u>
<b>NET CHANGE IN TOTAL PENSION ASSET</b>	122,866
Total Pension Asset - Beginning of Year	<u>1,311,545</u>
<b>TOTAL PENSION ASSET - END OF YEAR (a)</b>	1,434,411
<u>Plan Fiduciary Net Position</u>	
Municipal Contributions	2,500
State Contributions	114,407
Net Investment Income	(69,541)
Benefit Payments	(22,551)
Administrative Expenses	(4,990)
Other Changes	<u>2,232</u>
<b>NET CHANGE IN FIDUCIARY NET POSITION</b>	22,057
Fiduciary Net Position - Beginning of Year	<u>1,534,343</u>
<b>FIDUCIARY NET POSITION - END OF YEAR (b)</b>	<u>1,556,400</u>
<b>ASSOCIATION'S NET PENSION LIABILITY/ (ASSET) - END OF YEAR (a) - (b)</b>	<u><u>\$ (121,989)</u></u>



**CITY OF BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY**

A. Deficit Fund Balances/Net Position

The City has deficit fund balances/net position at December 31, 2015 as follows:

Governmental Funds:	
HRA Debt Service	\$ (1,815,235)
Other Governmental Funds:	
Civic Center Fund	(3,044,120)
Proprietary Funds:	
Golf Course Fund	(6,405,986)

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, 2015, expenditures exceeded budget in the Civic Center Special Revenue fund by \$7,402. These expenditures were funded by current year lease proceeds.

**NOTE 9 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, 2015 because they have not yet been levied against the properties by the county.

Future scheduled tax levies for all bonds outstanding at December 31, 2015 totaled \$23,842,377.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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

Individual fund receivable and payable balances at December 31, 2015 are as follows:

Fund	Due from Other Funds	Due to Other Funds	Description
General Fund	\$ 4,276,524	\$ -	Eliminate Deficit Cash
Capital Project Fund	-	1,200,000	Unspent Bond Proceeds
HRA Debt Service Fund	25,855	-	Lease Purchase Funding
Other Governmental Funds	-	3,152,681	Eliminate Deficit Cash
Other Governmental Funds	767,622	-	Eliminate Deficit Cash
Other Governmental Funds	2,819	-	Repay for Current Portion of Project
Proprietary Funds:			
Electric Fund	2,348,529	2,819	Deficit Cash/Current Portion of Project
Water and Sewer Fund	2,455,460	-	Deficit Cash/Unspent Bond Proceeds
Golf Course Fund	-	5,521,309	Lease Purchase/Deficit Cash
Total Due To/From	<u>\$ 9,876,809</u>	<u>\$ 9,876,809</u>	

All of the Due from/Due to Other Funds balances are expected to be repaid in the following year.

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

Fund	Advances To Other Funds	Advances From Other Funds
Debt Service Fund	\$ 1,815,000	\$ -
HRA Debt Service Fund	-	2,272,746
Other Governmental Funds	20,000	129,388
Proprietary Funds:		
Electric Fund	109,388	-
Water and Sewer Fund	150,000	-
Liquor Fund	-	150,000
Golf Course Fund	457,746	-
Total Advances	<u>\$ 2,552,134</u>	<u>\$ 2,552,134</u>

The advance in the amount of \$150,000 represents remodeling expense incurred by the Liquor Fund payable to the Water and Sewer Fund. The advance in the amount of \$129,388 payable by the airport fund to the electric (\$109,388) and other Governmental Funds (\$20,000) is an advance of construction funds. The advance between the HRA Debt Service and the Golf Course represents restricted cash held by HRA Debt Service in accordance with golf course purchase agreement. The Debt Service Fund advanced \$1,815,000 to the HRA Debt Service Fund as the City issued debt for the downtown enhancement project for which the HRA spent the proceeds.

**CITY OF BUFFALO, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2015**

**NOTE 10 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)**

C. Interfund Receivables/Payables

Fund	Interfund Lease Receivable	Interfund Lease Payable
HRA Debt Service Fund	\$ 3,555,000	\$ -
Proprietary Funds:		
Wild Marsh Golf Course	-	3,555,000
Total Interfund Leases	\$ 3,555,000	\$ 3,555,000

This represents the lease between HRA and the Golf Course for bonds issued by the HRA (see also Note 5). The lease payment schedule follows the bond repayment schedule. A principal payment of \$230,000 is due in 2016.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 10 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)**

D. Transfers

Transfers between funds during 2015 are as follows:

	Amount	Description
<b><u>Major Governmental Funds</u></b>		
Transfers to General Fund from:		
Electric Fund	\$ 900,000	Annual Contribution
Liquor Fund	500,000	Annual Contribution
Total Transfers to General Fund	1,400,000	
Transfers to Debt Service Fund from:		
General Fund	80,566	Transfer of Debt Payment/ Pay off Special Assessment
HRA Fund	79,225	Transfer of Debt Payment
HRA Debt Service Fund	46,763	Transfer of Debt Payment
Total Transfers to Debt Service Fund	206,554	
Transfers to Capital Projects Fund from:		
General Fund	300,000	Close Project Funds
Electric Fund	587,530	Electric and Fiber Share
Total Transfers to Capital Projects Fund	887,530	
Transfers to HRA Debt Service Fund from:		
HRA Fund	138,297	Transfer of Debt Payment
Total Transfers to Major Governmental Funds	2,632,381	
<b><u>Nonmajor Governmental Funds</u></b>		
Transfers to Library Fund from:		
General Fund	15,000	Annual Contribution
Transfers to Civic Center Fund from:		
Electric Fund	50,000	Annual Contribution
Transfers to Airport Fund from:		
General Fund	50,000	Annual Contribution
Total Transfers to Nonmajor Governmental Funds	115,000	
Total Interfund Transfers	\$ 2,747,381	

Also reported on the government-wide statement of activities are capital asset transfers of \$1,566,161 from the governmental activities to the business-type activities and \$5,562 from the business-type activities to the governmental activities. These are transfers of capital assets between the two opinion units.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 11 FUND BALANCE CLASSIFICATIONS**

The fund balance classifications of the governmental funds as of December 31, 2015, 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	\$ -	\$ -	\$ -	\$ -	\$ 9,183	\$ 9,183
Prepaid Expenses	35,406	-	-	-	4,019	39,425
Loan Commitments	-	-	-	-	7,500	7,500
Advance to Other Funds	-	-	-	-	20,000	20,000
Land Held for Resale	7,800	-	-	-	15,859	23,659
Total Nonspendable	<u>43,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,561</u>	<u>99,767</u>
<b>Restricted:</b>						
Debt Service	-	4,578,345	-	-	-	4,578,345
Capital Projects	-	-	3,075,658	-	-	3,075,658
Total Restricted	<u>-</u>	<u>4,578,345</u>	<u>3,075,658</u>	<u>-</u>	<u>-</u>	<u>7,654,003</u>
<b>Committed:</b>						
Library	-	-	-	-	168,589	168,589
Fire Operations	-	-	-	-	1,084,590	1,084,590
The Buffalo HRA	-	-	-	-	236,318	236,318
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,489,497</u>	<u>1,489,497</u>
<b>Unassigned:</b>	<u>4,015,641</u>	<u>-</u>	<u>-</u>	<u>(1,815,235)</u>	<u>(3,051,825)</u>	<u>(851,419)</u>
<b>Total Fund Balance</b>	<u><u>\$ 4,058,847</u></u>	<u><u>\$ 4,578,345</u></u>	<u><u>\$ 3,075,658</u></u>	<u><u>\$ (1,815,235)</u></u>	<u><u>\$ (1,505,767)</u></u>	<u><u>\$ 8,391,848</u></u>

**CITY OF BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 12 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.

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.

The City entered into a program to self-insure group medical benefits for its employees. This program is funded through "premiums" charged each pay period to participants in the plan. The city portion of the monthly premium is charged to various departments based on actual participation by employees. Health Partners currently administers the plan for a monthly fee based on number of participating individuals. Claims are paid by Health Partners and reimbursed by the City on a weekly basis. Reinsurance for stop-loss covers aggregate stop-loss coverage. The aggregate stop-loss insurance puts a ceiling on the amount of claim liability during the two-year contract that the city began with Health Partners effective January 1, 2014. This stop-loss contract is based on a 24/30 contract period (24 months of incurred claims paid over 30 months). The aggregate claims liability is determined by the aggregate claim factors by plan and number of enrolled contracts by coverage level.

Changes in the balance of claim liabilities were as follows:

	<u>December 31, 2015</u>
Unpaid Claims - Beginning of Year	\$ 44,832
Incurred Claims	513,008
Claim Payments	(474,912)
Unpaid Claims - End of Year	<u>\$ 82,928</u>

**CITY OF BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 13 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.

**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, 2015:

Project	Contract Cost	Estimated Project Costs Incurred to Date *	Remaining Committed
Downtown Enhancement	\$ 718,833	\$ 596,898	\$ 121,935
Settler's Parkway	4,774,908	4,534,735	240,173
Trailblazer Transit	2,554,713	1,722,641	832,072
21st Avenue South County Project	42,000	-	42,000
SE Area Reconstruction	1,379,910	1,349,325	30,585
SE Area Reconstruction Phase II	1,689,082	521,272	1,167,810
Well #8 and Watermain	448,398	438,604	9,794
Watermain and N Loop	413,981	396,637	17,344
Street Maintenance 2015	446,023	433,638	12,385
Highway 25 N of 55 State Project	1,276,526	-	1,276,526
Highway 25 Reconstruction	6,121,907	2,731,727	3,390,180
Total	<u>\$ 19,866,281</u>	<u>\$ 12,725,477</u>	<u>\$ 7,140,804</u>

\* Includes Contracts Payable Amount

**CITY OF BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 14 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, 2015, there were 14 series of Industrial Revenue Bonds and other similar type Revenue Bonds outstanding. The aggregate principal amount payable for the eight (8) series issued prior to January 4, 1997, could not be determined; however, their original issue amounts totaled \$26.165 million. An Industrial Revenue Note totaling \$2,750,000 and maturing in March, 2030 was issued in 2000. Three Health Care Facility Revenue Notes totaling \$20,130,000 and maturing in March 2033 were issued in 2003. Two conduit debt issues were issued during 2006: (1) Health Care Refunding Revenue Bond, Series 2006 totaling \$19,965,000 and (2) Educational Facilities Revenue Note, Series 2005A totaling \$5,500,000.

**NOTE 15 JOINT POWERS AGREEMENT**

The Wright County Area Transportation (WCAT) Joint Powers Board was established in 2014 under the authority of the Joint Powers Act, pursuant to Minnesota Statutes § 471.59, and includes the cities of Albertville, Annandale, Buffalo, Cokato, Delano, Hanover, Howard Lake, Maple Lake, Montrose, Rockford, St. Michael, and Waverly. WCAT's objectives are to provide affordable public transportation to their local communities which would assist people with mobility and access to employment, community resources, medical care, and recreational opportunities while reducing the impact of road congestion, travel times, air pollution, and cost of road maintenance and repair in the communities.

Control is vested in the WCAT Board, which consists of a designee from each of the member cities. There are no term specifications on the board members.

Financing is provided by state and federal funding as available toward the costs of providing public transportation services for the cities. Each City has agreed to pay a proportionate share of WCAT's remaining unfunded operating expenses and capital expenditures based upon the number of rides originating in the City during the prior year as compared to the total number of rides in all cities during the prior year. Each City is also required to pay an annual fee to provide for the proper operations of the WCAT Board. The City of Buffalo was not requested to contribute any funds to WCAT during 2015, as enough federal and state funding was received to cover operations.

Financial information can be obtained from the WCAT treasurer at the City of Annandale.



**CITY OF BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 16 RESTATEMENT FOR A CHANGE IN ACCOUNTING PRINCIPLE**

During the year ended December 31, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These pronouncements require the restatement of the December 31, 2014 net position of the governmental activities as follows:

	Net Position as Previously Stated	Cumulative Affect of Application of GASB 68 Net Pension Liability	Deferred Outflow of Resources for City Contributions Made to the Plans During Measurement Period (7/1/15 - 12/31/15)	Net Position As Restated
Governmental Activities	\$ 36,783,096	\$ (2,397,176) *	\$ 132,594	\$ 34,518,514
Business-Type Activities	13,937,442	(2,000,538)	80,719	12,017,623
Electric	13,324,413	(812,611)	32,788	12,544,590
Water and Sewer	4,629,217	(602,572)	24,313	4,050,958
Liquor	1,456,595	(378,759)	15,282	1,093,118
Golf Course	(5,472,783)	(206,596)	8,336	(5,671,043)

\* Of this total, \$1,442,729 relates to the GERP plan, \$1,177,245 relates to the PEPFFF plan, and (\$222,798) relates to the Fire Relief plan.

**NOTE 17 SUBSEQUENT EVENTS**

On January 7, 2016, the City authorized issuance of \$3,250,000 in General Obligation Tax Abatement Bonds (Series 2016A). The General Obligation Tax Abatement bonds were issued to provide a current refunding for the 2005 Public Facility Lease Revenue bonds. The interest rate on this bond is 2.0 to 3.15% and is set to mature in 2035. The estimated present value cash savings as a result of this refunding bond is \$680,641.

On March 21, 2016, the City authorized issuance of \$2,565,000 in General Obligation Street Reconstruction bonds (Series 2016C). The General Obligation Street Reconstruction bonds were issued to provide financing for trunk highway 25 improvements. The interest rate on this bond is 2.0 to 2.75% and is set to mature in 2032.

The City authorized issuance of \$1,140,000 in Electric Revenue Bonds, Series 2016B and \$2,075,000 in General Obligation Temporary Street Reconstruction Bonds, Series 2016A on April 14, 2016. The Electric Revenue Bonds were issued to finance improvements and extensions to the City's electric utility. The Temporary Street Reconstruction Bonds were issued to finance street improvements. The Electric Revenue Bonds are set to mature in 2026 with an interest rate of 2.00 to 2.45%. The General Obligation Temporary Street Reconstruction Bonds are set to mature on February 1, 2017 at an interest rate of 2.00%.

On April 18, 2016, the City authorized issuance of \$851,499 lease purchase agreement for the purchase of various police, fire, street and parks vehicles, and equipment. The lease has a 48-month term at an interest rate of 1.86%.

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## **REQUIRED SUPPLEMENTARY INFORMATION**



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

	Measurement Date June 30, 2015
<b>GERF</b>	
City's Proportion of the Net Pension Liability	0.0651%
City's Proportionate Share of the Net Pension Liability	\$ 3,373,820
City's Covered-Employee Payroll	\$ 3,794,647
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.75%
	Measurement Date June 30, 2015
<b>PEPFF</b>	
City's Proportion of the Net Pension Liability	0.1080%
City's Proportionate Share of the Net Pension Liability	\$ 1,227,133
City's Covered-Employee Payroll	\$ 1,002,211
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	122%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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 YEARS**

	Measurement Date December 31, 2015
<u>Total Pension Asset</u>	
Service Cost	\$ 73,304
Interest	72,113
Benefit Payments, Including Member Refunds	<u>(22,551)</u>
<b>NET CHANGE IN TOTAL PENSION ASSET</b>	122,866
Total Pension Asset - Beginning of Year	<u>1,311,545</u>
<b>TOTAL PENSION ASSET - END OF YEAR (a)</b>	1,434,411
<u>Plan Fiduciary Net Position</u>	
Municipal Contributions	2,500
State Contributions	114,407
Net Investment Income	(69,541)
Benefit Payments	(22,551)
Administrative Expenses	(4,990)
Other Changes	<u>2,232</u>
<b>NET CHANGE IN FIDUCIARY NET POSITION</b>	22,057
Fiduciary Net Position - Beginning of Year	<u>1,534,343</u>
<b>FIDUCIARY NET POSITION - END OF YEAR (b)</b>	<u>1,556,400</u>
<b>ASSOCIATION'S NET PENSION LIABILITY/ (ASSET) - END OF YEAR (a) - (b)</b>	<u><u>\$ (121,989)</u></u>

Fiduciary Net Position as a Percentage of the Total Net Pension Asset	108.50%
Covered-Employee Payroll	N/A
Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	N/A

\*Additional information will be added as it becomes available

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

	<u>2015</u>	<u>2014</u>
<b>GERF</b>		
Contractually Required Contribution	\$ 274,878	\$ 265,184
Contributions in Relation to the Contractually Required Contribution	(274,878)	(265,184)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 3,794,647	\$ 3,870,990
Contributions as a Percentage of Covered-Employee Payroll	7.24%	6.85%
<b>PEPFF</b>		
Contractually Required Contribution	\$ 164,981	\$ 158,513
Contributions in Relation to the Contractually Required Contribution	(164,981)	(158,513)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 1,002,211	\$ 975,188
Contributions as a Percentage of Covered-Employee Payroll	16.46%	16.25%
<b>FIRE RELIEF ASSOCIATION PLAN</b>		
Statutorily Required Contribution	\$ -	\$ -
Contributions in Relation to the Statutorily Required Contribution	-	-
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>

\*Additional information will be added as it becomes available

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**CITY OF BUFFALO, MINNESOTA  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2015  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014)**

	2015			2014	
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
<b>REVENUES</b>					
Taxes:					
General Property Taxes	\$ 3,212,723	\$ 3,197,138	\$ 3,214,586	\$ 17,448	\$ 2,984,544
Other Taxes	1,800	1,999	2,144	145	2,095
Total Taxes	<u>3,214,523</u>	<u>3,199,137</u>	<u>3,216,730</u>	<u>17,593</u>	<u>2,986,639</u>
Licenses and Permits	270,810	382,675	382,675	-	260,329
Intergovernmental:					
Federal Grants	-	2,157	2,158	1	1,318
State:					
Local Government Aid	703,609	703,609	703,609	-	636,274
Market Value Credit	-	168	168	-	130
State Police Aid	120,000	121,304	121,304	-	118,316
State Highway Aid	185,000	200,266	200,266	-	184,696
Other	14,687	14,185	23,905	9,720	15,571
County/Regional:					
Other	-	3,398	3,398	-	-
Total Intergovernmental	<u>1,023,296</u>	<u>1,045,087</u>	<u>1,054,808</u>	<u>9,721</u>	<u>956,305</u>
Special Assessments	-	7,000	9,482	2,482	-
Charges for Services:					
General Government	124,930	203,188	225,742	22,554	149,377
Public Safety	56,304	58,481	59,590	1,109	56,606
Streets	-	2,410	2,410	-	122
Sanitation	863,000	870,379	895,712	25,333	876,341
Storm Sewer	400,250	398,519	458,005	59,486	396,253
Total Charges for Services	<u>1,444,484</u>	<u>1,532,977</u>	<u>1,641,459</u>	<u>108,482</u>	<u>1,478,699</u>
Fines and Forfeits	35,000	31,465	31,465	-	32,468
Investment Earnings	1,800	4,217	4,217	-	4,463
Refunds/Reimbursements	-	88,008	88,009	1	94,565
Grants and Contributions	9,500	9,450	9,450	-	9,505
Miscellaneous	1,150	5,348	18,689	13,341	57,587
Total Revenues	<u>\$ 6,000,563</u>	<u>\$ 6,305,364</u>	<u>\$ 6,456,984</u>	<u>\$ 151,620</u>	<u>\$ 5,880,560</u>

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

**CITY OF BUFFALO, MINNESOTA  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
YEAR ENDED DECEMBER 31, 2015  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014)**

	2015				2014
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
<b>EXPENDITURES</b>					
General Government:					
Mayor and Council:					
Current:					
Personal Services	\$ 49,921	\$ 26,939	\$ 26,939	\$ -	\$ 32,262
Capital Outlay	42,200	-	-	-	-
Capital Lease Payments:					
Principal	1,246	1,249	1,174	75	774
Interest	75	-	75	(75)	59
Total Mayor and Council	<u>93,442</u>	<u>28,188</u>	<u>28,188</u>	<u>-</u>	<u>33,095</u>
Financial Administration:					
Current:					
Salaries	243,933	248,492	248,492	-	240,821
Employee Benefits	65,536	58,830	62,658	(3,828)	60,015
Other Expenses:					
Audit / Accounting	9,000	9,000	9,000	-	9,000
Building Permits, Surcharges	16,800	5,595	16,781	(11,186)	11,035
Insurance	14,500	7,918	7,918	-	12,046
Planning and Zoning	134,262	155,122	154,558	564	122,560
Assessor	64,000	64,093	64,093	-	63,527
City Attorney	28,000	19,456	19,456	-	24,684
Professional Services	1,500	5,916	5,916	-	1,822
Elections	-	1,146	1,146	-	12,094
Other Expense	171,359	162,793	163,953	(1,160)	168,958
Capital Outlay	20,000	10,775	10,775	-	15,819
Total Financial Administration	<u>768,890</u>	<u>749,136</u>	<u>764,746</u>	<u>(15,610)</u>	<u>742,381</u>
MIS:					
Current:					
Salaries	62,354	58,155	58,155	-	77,192
Employee Benefits	28,924	18,254	18,481	(227)	27,945
Other Services and Charges	27,000	32,105	32,105	-	27,471
Capital Outlay	39,750	-	-	-	40,994
Capital Lease Payments:					
Principal	49,943	34,968	34,821	147	29,429
Interest	3,343	2,429	2,576	(147)	2,658
Total MIS	<u>211,314</u>	<u>145,911</u>	<u>146,138</u>	<u>(227)</u>	<u>205,689</u>
Engineering:					
Current:					
Salaries	115,591	116,951	116,951	-	112,923
Employee Benefits	27,325	25,466	25,462	4	28,389
Other Services and Charges	17,450	17,735	17,735	-	12,452
Capital Outlay	-	5,345	5,345	-	-
Total Engineering	<u>160,366</u>	<u>165,497</u>	<u>165,493</u>	<u>4</u>	<u>153,764</u>
Transportation:					
Current:					
Salaries	13,038	13,568	13,568	-	12,682
Employee Benefits	1,447	1,687	1,616	71	1,425
Other Services and Charges	23,480	25,596	25,384	212	73,984
Total Transportation	<u>37,965</u>	<u>40,851</u>	<u>40,568</u>	<u>283</u>	<u>88,091</u>
Total General Government	<u>1,271,977</u>	<u>1,129,583</u>	<u>1,145,133</u>	<u>(15,550)</u>	<u>1,223,020</u>

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

**CITY OF BUFFALO, MINNESOTA  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
YEAR ENDED DECEMBER 31, 2015  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014)**

	2015			Variance from Final Budget	2014
	Original Budget	Final Budget	Actual		Actual
<b>EXPENDITURES (CONTINUED)</b>					
Public Safety:					
Police Protection:					
Current:					
Office Wages and Benefits	\$ 210,012	\$ 201,266	\$ 212,423	\$ (11,157)	\$ 202,157
Officer Wages and Benefits	1,542,923	1,395,716	1,402,124	(6,408)	1,332,415
Training	10,350	6,825	7,164	(339)	4,104
Legal Fees	64,250	59,991	59,991	-	64,501
Other Services and Charges	255,000	213,672	213,587	85	230,494
Capital Outlay	57,250	87,634	87,634	-	104,695
Capital Lease Payments:					
Principal	28,341	35,004	35,004	-	23,103
Interest	-	2,404	2,404	-	2,050
Total Police	<u>2,168,126</u>	<u>2,002,512</u>	<u>2,020,331</u>	<u>(17,819)</u>	<u>1,963,519</u>
Fire Protection	410,000	386,412	386,412	-	403,182
Civil Defense	400	218	218	-	3,899
Building Inspections	120,000	114,980	158,119	(43,139)	85,000
Total Public Safety	<u>2,698,526</u>	<u>2,504,122</u>	<u>2,565,080</u>	<u>(60,958)</u>	<u>2,455,600</u>
Public Works:					
Street Department:					
Current:					
Employee Benefits	85,203	95,957	103,282	(7,325)	87,485
Street Maintenance	1,461,485	941,528	640,860	300,668	608,750
Storm Sewer Maintenance	103,767	104,431	104,431	-	110,467
Snow and Ice Removal	134,575	43,184	42,312	872	108,571
Other	539,478	470,547	474,889	(4,342)	520,773
Capital Outlay - Streets	185,115	118,395	118,395	-	387,891
Capital Lease Payments:					
Principal	128,451	97,458	94,783	2,675	84,041
Interest	6,786	6,611	4,663	1,948	5,566
Total Public Works	<u>2,644,860</u>	<u>1,878,111</u>	<u>1,583,615</u>	<u>294,496</u>	<u>1,913,544</u>
Sanitation:					
Current	737,618	781,474	781,798	(324)	758,092
Capital Lease Payments:					
Principal	1,278	1,227	1,227	-	1,200
Interest	90	-	90	(90)	117
Total Sanitation	<u>738,986</u>	<u>782,701</u>	<u>783,115</u>	<u>(414)</u>	<u>759,409</u>
Total Public Works	<u>3,383,846</u>	<u>2,660,812</u>	<u>2,366,730</u>	<u>294,082</u>	<u>2,672,953</u>
Total Expenditures	<u>7,354,349</u>	<u>6,294,517</u>	<u>6,076,943</u>	<u>217,574</u>	<u>6,351,573</u>
<b>REVENUES OVER (UNDER)</b>					
<b>EXPENDITURES</b>	(1,353,786)	10,847	380,041	369,194	(471,013)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from Sale of Capital Assets	-	35,651	35,651	-	-
Capital Lease Proceeds	211,500	97,982	97,982	-	319,565
Transfer In	900,000	900,000	900,000	-	913,049
Transfer Out	(415,000)	(570,566)	(870,566)	(300,000)	(541,347)
Total Other Financing Sources (Uses)	<u>696,500</u>	<u>463,067</u>	<u>163,067</u>	<u>(300,000)</u>	<u>691,267</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (657,286)</u>	<u>\$ 473,914</u>	<u>543,108</u>	<u>\$ 69,194</u>	<u>220,254</u>
Fund Balance - Beginning of Year			<u>4,088,520</u>		<u>3,868,266</u>
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 4,631,628</u>		<u>\$ 4,088,520</u>

The Notes to the 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, 2015**

**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 2015.
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. General government expenditures were \$1,145,133 which is \$15,550 over budget. Public safety expenditures were \$2,565,080 which were \$60,958 over budget. Sanitation expenditures were \$783,115 which were \$414 over budget. These over budget expenditures were paid for with existing fund balance.

**CITY OF BUFFALO, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
DECEMBER 31, 2015**

**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	\$ 6,594,634	\$ 7,191,473	\$ 1,109,764	\$ 3,545,922	\$ 4,058,847
Funds Included in General Fund for GASB Statement No. 54 Purposes:					
Park Fund	(112,252)	(945,369)	(821,697)	275,323	286,743
Community Center Fund	(25,398)	(169,161)	(125,000)	267,275	286,038
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	<u>\$ 6,456,984</u>	<u>\$ 6,076,943</u>	<u>\$ 163,067</u>	<u>\$ 4,088,520</u>	<u>\$ 4,631,628</u>

## **SUPPLEMENTARY INFORMATION**





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

**CITY OF BUFFALO, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015  
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2014)**

	2015			
	Revolving Grant Fund	Fire Fund	Library Fund	Civic Center Fund
<b>ASSETS</b>				
Cash and Investments	\$ -	\$ 156,299	\$ 171,272	\$ -
Delinquent Taxes Receivable	-	-	1,281	-
Accounts Receivable	-	-	-	72,694
Due from Other Governmental Units	-	193,206	535	70,423
Accrued Interest Receivable	-	-	-	-
Due from Other Funds	-	767,622	-	-
Advances to Other Funds	-	-	-	-
Inventory	-	-	-	-
Prepaid Items	-	-	-	4,019
Loans Receivable, Net of Allowance	64,489	-	-	-
Land Held for Resale	-	-	-	-
<b>Total Assets</b>	<b>\$ 64,489</b>	<b>\$ 1,117,127</b>	<b>\$ 173,088</b>	<b>\$ 147,136</b>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE (DEFICIT)</b>				
<b>LIABILITIES</b>				
Accounts and Contracts Payable	\$ -	\$ 7,207	\$ 3,133	\$ 29,227
Other Accrued Liabilities	-	25,330	85	8,748
Due to Other Funds	-	-	-	3,152,681
Advances from Other Funds	-	-	-	-
Unearned Revenue	-	-	-	600
Deposits - Escrow	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>32,537</b>	<b>3,218</b>	<b>3,191,256</b>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Unavailable Taxes	-	-	1,281	-
Unavailable Loans Receivables	64,489	-	-	-
<b>Total Deferred Inflow of Resources</b>	<b>64,489</b>	<b>-</b>	<b>1,281</b>	<b>-</b>
<b>FUND BALANCE (DEFICIT)</b>				
Nonspendable	-	-	-	4,019
Committed	-	1,084,590	168,589	-
Assigned	-	-	-	-
Unassigned	-	-	-	(3,048,139)
<b>Total Fund Balance (Deficit)</b>	<b>-</b>	<b>1,084,590</b>	<b>168,589</b>	<b>(3,044,120)</b>
<b>Total Liabilities, Deferred Inflow of Resources, and Fund Balance (Deficit)</b>	<b>\$ 64,489</b>	<b>\$ 1,117,127</b>	<b>\$ 173,088</b>	<b>\$ 147,136</b>

The HRA of Buffalo Fund	Airport Fund	2015 Total	2014 Total
\$ 278,660	\$ 117,076	\$ 723,307	\$ 1,717,383
-	605	1,886	1,976
-	3,043	75,737	73,860
1,282	57,648	323,094	244,290
167,183	-	167,183	141,183
2,819	-	770,441	2,819
20,000	-	20,000	20,000
-	9,183	9,183	12,612
-	-	4,019	-
356,823	-	421,312	448,716
15,859	-	15,859	15,859
<u>\$ 842,626</u>	<u>\$ 187,555</u>	<u>\$ 2,532,021</u>	<u>\$ 2,678,698</u>

\$ 32,345	\$ 48,930	\$ 120,842	\$ 345,064
-	626	34,789	40,128
-	-	3,152,681	2,966,938
-	129,388	129,388	194,388
-	2,509	3,109	1,250
6,598	-	6,598	6,598
<u>38,943</u>	<u>181,453</u>	<u>3,447,407</u>	<u>3,554,366</u>

-	605	1,886	1,976
524,006	-	588,495	589,899
<u>524,006</u>	<u>605</u>	<u>590,381</u>	<u>591,875</u>

43,359	9,183	56,561	63,471
236,318	-	1,489,497	600,217
-	-	-	932,318
-	(3,686)	(3,051,825)	(3,063,549)
<u>279,677</u>	<u>5,497</u>	<u>(1,505,767)</u>	<u>(1,467,543)</u>

<u>\$ 842,626</u>	<u>\$ 187,555</u>	<u>\$ 2,532,021</u>	<u>\$ 2,678,698</u>
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**CITY OF BUFFALO, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2015  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014)**

	2015			
	Revolving Grant Fund	Fire Fund	Library Fund	Civic Center Fund
<b>REVENUE</b>				
General Property Taxes	\$ -	\$ -	\$ 80,932	\$ -
Tax Increments	-	-	-	-
Intergovernmental	-	120,719	-	-
Charges for Services	-	597,968	-	585,998
Investment Earnings (Loss)	-	1,022	160	-
Refunds and Reimbursements	-	575	-	1,175
Grants and Contributions	-	760	-	59,400
Miscellaneous	-	-	-	1,080
Total Revenue	<u>-</u>	<u>721,044</u>	<u>81,092</u>	<u>647,653</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety:	-	361,089	-	-
Culture and Recreation	-	-	74,346	747,758
Community Development	-	-	-	-
Capital Outlay:				
Public Safety	-	98,950	-	-
Culture and Recreation	-	-	-	55,765
Community Development	-	-	-	-
Capital Leases:				
Principal	-	104,235	-	2,960
Interest and Fiscal Charges	-	4,498	-	204
Total Expenditures	<u>-</u>	<u>568,772</u>	<u>74,346</u>	<u>806,687</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	-	152,272	6,746	(159,034)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	-	-	15,000	50,000
Transfer Out	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-
Capital Lease Proceeds	-	-	-	29,945
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>79,945</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	152,272	21,746	(79,089)
Fund Balance (Deficit) - Beginning of Year	<u>-</u>	<u>932,318</u>	<u>146,843</u>	<u>(2,965,031)</u>
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 1,084,590</u>	<u>\$ 168,589</u>	<u>\$ (3,044,120)</u>

The HRA of Buffalo Fund	Airport Fund	2015 Total	2014 Total
\$ 194,941	\$ 261	\$ 276,134	\$ 149,032
69,085	-	69,085	69,958
-	76,279	196,998	358,298
31,501	285,968	1,501,435	1,490,338
4,292	(35)	5,439	6,812
-	-	1,750	5,167
-	-	60,160	50,250
-	-	1,080	1,371
<u>299,819</u>	<u>362,473</u>	<u>2,112,081</u>	<u>2,131,226</u>
-	-	361,089	407,291
-	321,070	1,143,174	1,168,608
173,611	-	173,611	119,240
-	-	98,950	54,678
-	-	55,765	217,586
133,242	-	133,242	43,569
-	-	107,195	111,450
-	-	4,702	7,095
<u>306,853</u>	<u>321,070</u>	<u>2,077,728</u>	<u>2,129,517</u>
(7,034)	41,403	34,353	1,709
-	50,000	115,000	115,000
(217,522)	-	(217,522)	(22,905)
-	-	-	4,500
-	-	29,945	16,315
<u>(217,522)</u>	<u>50,000</u>	<u>(72,577)</u>	<u>112,910</u>
(224,556)	91,403	(38,224)	114,619
504,233	(85,906)	(1,467,543)	(1,582,162)
<u>\$ 279,677</u>	<u>\$ 5,497</u>	<u>\$ (1,505,767)</u>	<u>\$ (1,467,543)</u>

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**CITY OF BUFFALO, MINNESOTA  
FIRE SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2015  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014)**

	2015			2014	
	Original Budget	Final Budget	Actual	Variance with Budget	Actual
<b>REVENUES</b>					
Fire Contracts and Charges	\$ 600,000	\$ 597,968	\$ 597,968	\$ -	\$ 597,646
Intergovernmental:					
State Aid and Grants	111,500	120,719	120,719	-	112,043
Grants and Contributions	-	760	760	-	250
Investment Earnings	750	1,022	1,022	-	1,015
Refunds and Reimbursements	-	575	575	-	100
Miscellaneous	-	-	-	-	10
Total Revenues	<u>712,250</u>	<u>721,044</u>	<u>721,044</u>	<u>-</u>	<u>711,064</u>
<b>EXPENDITURES</b>					
Public Safety:					
Fire Relief	108,000	113,407	113,407	-	108,043
Wages and Benefits	130,848	100,538	100,538	-	114,804
Truck Expense	12,000	4,901	4,946	(45)	9,263
Supplies	12,725	33,735	33,735	-	15,594
Repairs and Maintenance	44,000	24,969	24,969	-	46,063
Radio and Telephone	9,900	7,465	7,465	-	6,876
Utilities	20,000	13,966	13,966	-	20,322
Insurance	43,000	35,353	35,353	-	33,875
Training	8,500	8,382	8,382	-	7,181
Other	50,814	52,255	18,328	33,927	45,270
Capital Outlay	32,000	98,950	98,950	-	54,678
Capital Lease Payments:					
Principal	113,548	114,114	104,235	9,879	111,450
Interest	4,999	4,498	4,498	-	7,095
Total Expenditures	<u>590,334</u>	<u>612,533</u>	<u>568,772</u>	<u>43,761</u>	<u>580,514</u>
<b>EXCESS (DEFICIENCY) OF REVENUE AND OVER (UNDER) EXPENDITURES</b>	121,916	108,511	152,272	(43,761)	130,550
<b>OTHER FINANCING SOURCES</b>					
Proceeds on Sale of Assets	-	-	-	-	4,500
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 121,916</u>	<u>\$ 108,511</u>	152,272	<u>\$ (43,761)</u>	135,050
Fund Balance - Beginning of Year			<u>932,318</u>		<u>797,268</u>
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 1,084,590</u>		<u>\$ 932,318</u>

**CITY OF BUFFALO, MINNESOTA  
LIBRARY SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2015  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014)**

	2015			2014	
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
<b>REVENUES</b>					
General Property Taxes	\$ 80,628	\$ 80,462	\$ 80,932	\$ 470	\$ 81,246
Investment Earnings	150	160	160	-	157
Total Revenues	<u>80,778</u>	<u>80,622</u>	<u>81,092</u>	<u>470</u>	<u>81,403</u>
<b>EXPENDITURES</b>					
Culture and Recreation:					
Wages and Benefits	1,152	2,740	2,740	-	2,104
Supplies and Maintenance	33,256	40,965	40,965	-	34,482
Insurance	1,200	782	782	-	1,012
Telephone	600	485	485	-	442
Utilities	31,000	25,474	25,474	-	28,959
Other	3,850	3,900	3,900	-	4,317
Capital Outlay - Equipment	8,300	-	-	-	-
Total Expenditures	<u>79,358</u>	<u>74,346</u>	<u>74,346</u>	<u>-</u>	<u>71,316</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	1,420	6,276	6,746	470	10,087
<b>OTHER FINANCING SOURCES</b>					
Transfers in from General Fund	15,000	15,000	15,000	-	15,000
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 16,420</u>	<u>\$ 21,276</u>	21,746	<u>\$ 470</u>	25,087
Fund Balance - Beginning of Year			<u>146,843</u>		<u>121,756</u>
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 168,589</u>		<u>\$ 146,843</u>



**CITY OF BUFFALO, MINNESOTA  
CIVIC CENTER SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2015  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014)**

	2015				2014
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
<b>REVENUES</b>					
Charges for Services:					
Ice Time	\$ 400,000	\$ 452,875	\$ 442,564	\$ (10,311)	\$ 387,382
Building Rent	14,000	10,433	10,433	-	12,765
Lease Payment	-	55,000	55,000	-	55,000
Gate Receipts and Concessions	75,500	62,780	63,886	1,106	74,774
Other	12,000	14,115	14,115	-	10,143
Grants and Contributions	50,000	59,400	59,400	-	50,000
Investment Earnings (Loss)	-	-	-	-	-
Refunds and Reimbursements	-	1,175	1,175	-	1,522
Miscellaneous	1,500	1,080	1,080	-	1,254
Total Revenues	<u>553,000</u>	<u>656,858</u>	<u>647,653</u>	<u>(9,205)</u>	<u>592,840</u>
<b>EXPENDITURES</b>					
Culture and Recreation:					
Wages and Benefits	244,803	228,068	236,156	(8,088)	231,508
Maintenance and Repair	41,000	46,201	46,201	-	55,141
Utilities	180,000	153,470	153,470	-	179,833
Other	59,025	57,329	56,847	482	55,554
Insurance	13,000	10,072	10,072	-	11,265
Interest Expense	3,200	3,559	3,559	-	3,827
Lease Rent Payments	241,453	241,453	241,453	-	238,708
Capital Outlay	24,900	55,765	55,765	-	15,475
Capital Lease Payments:					
Principal	-	2,960	2,960	-	-
Interest	204	-	204	204	-
Total Expenditures	<u>807,585</u>	<u>798,877</u>	<u>806,687</u>	<u>(7,402)</u>	<u>791,311</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(254,585)	(142,019)	(159,034)	(17,015)	(198,471)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer In	50,000	50,000	50,000	-	50,000
Capital Lease Proceeds	-	-	29,945	29,945	16,315
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>50,000</u>	<u>79,945</u>	<u>29,945</u>	<u>66,315</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (204,585)</u>	<u>\$ (92,019)</u>	(79,089)	<u>\$ 12,930</u>	(132,156)
Fund Deficit - Beginning of Year			(2,965,031)		(2,832,875)
<b>FUND DEFICIT - END OF YEAR</b>			<u>\$ (3,044,120)</u>		<u>\$ (2,965,031)</u>

**CITY OF BUFFALO, MINNESOTA  
 AIRPORT SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED DECEMBER 31, 2015  
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014)**

	2015			2014	
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
<b>REVENUES</b>					
General Property Taxes	\$ -	\$ 261	\$ 261	\$ -	\$ -
Intergovernmental:					
Federal Grants	160,128	44,150	51,144	6,994	204,089
State Aid and Grants	47,006	24,474	25,135	661	42,166
Total Intergovernmental	<u>207,134</u>	<u>68,624</u>	<u>76,279</u>	<u>7,655</u>	<u>246,255</u>
Charges for Services	327,920	293,460	285,968	(7,492)	315,570
Investment Earnings (Loss)	(100)	(35)	(35)	-	30
Refunds and Reimbursement	-	3	-	(3)	3
Total Revenues	<u>534,954</u>	<u>362,313</u>	<u>362,473</u>	<u>160</u>	<u>561,858</u>
<b>EXPENDITURES</b>					
Culture and Recreation:					
Wages and Benefits	29,800	29,891	29,695	196	28,769
Other	284,332	292,409	291,375	1,034	292,687
Capital Outlay	7,500	60,535	-	60,535	202,111
Total Expenditures	<u>321,632</u>	<u>382,835</u>	<u>321,070</u>	<u>61,765</u>	<u>523,567</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	213,322	(20,522)	41,403	61,925	38,291
<b>OTHER FINANCING SOURCES</b>					
Transfer In	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 263,322</u>	<u>\$ 29,478</u>	91,403	<u>\$ 61,925</u>	88,291
Fund Deficit - Beginning of Year			<u>(85,906)</u>		<u>(174,197)</u>
<b>FUND DEFICIT - END OF YEAR</b>			<u>\$ 5,497</u>		<u>\$ (85,906)</u>

**OTHER SUPPLEMENTARY INFORMATION  
(UNAUDITED)**



**CITY OF BUFFALO, MINNESOTA**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**DECEMBER 31, 2015**  
**(UNAUDITED)**

Market Valuation		<u>\$ 991,766,000</u>
Debt Limit - 3% of Market Valuation		\$ 29,752,980
Total Indebtedness	<u>\$ 96,869,559</u>	
Less:		
Other Deductions Allowed by Law:		
(1) Obligations Payable Wholly or Partly from Special Assessments	5,230,000	
(2) Obligations Issued for Acquisition and Improvement of Public Utilities and Conveniences from Which Revenue may be Derived	58,718,019	
(3) Obligations Payable Wholly from the Income from Revenue Producing Conveniences	<u>6,016,540</u>	
Total Deductions	<u>69,964,559</u>	
Total Amount of Debt Applied Against Debt Limit		<u>26,905,000</u>
Legal Debt Margin		<u>\$ 2,847,980</u>

**CITY OF BUFFALO, MINNESOTA**  
**TAX LEVIES TO RETIRE BONDED INDEBTEDNESS**  
**DECEMBER 31, 2015**  
**(UNAUDITED)**

Year of Levy for Collection in the Following Year	General Obligation Street Reconstruction Bonds of 2008 Series 2008D	General Obligation Refunding Bonds of 2009 Series 2009D	General Obligation Improvement Bonds of 2010 Series 2010A	General Obligation Improvement Bonds of 2010 Series 2010C	General Obligation Capital Improvement Refunding Bonds of 2011 Series 2011A
2016	\$ 246,304	\$ 142,364	\$ 53,366	\$ 181,233	\$ 740,226
2017	241,395	152,234	51,949	178,516	738,646
2018	-	387,476	55,781	191,127	735,601
2019	-	510,024	54,206	187,168	741,229
2020	-	507,058	-	188,322	745,030
2021	-	513,726	-	178,679	747,261
2022	-	519,120	-	179,492	741,906
2023	-	1,288,560	-	190,423	-
2024	-	-	-	263,660	-
2025	-	-	-	265,655	-
2026	-	-	-	267,026	-
2027	-	-	-	-	-
2028	-	-	-	-	-
2029	-	-	-	-	-
2030	-	-	-	-	-
2031	-	-	-	-	-
2032	-	-	-	-	-
2033	-	-	-	-	-
2034	-	-	-	-	-
<b>Total</b>	<b>\$ 487,699</b>	<b>\$ 4,020,562</b>	<b>\$ 215,302</b>	<b>\$ 2,271,301</b>	<b>\$ 5,189,899</b>

General Obligation Refunding Bonds of 2012 Series 2012B	General Obligation Bonds of 2013 Series 2013A	General Obligation Bonds of 2015 Series 2015A	General Obligation Bonds of 2015 Series 2015C	Total
\$ 144,463	\$ 420,630	\$ 280,450	\$ 235,344	\$ 2,444,380
141,313	418,530	285,122	233,822	2,441,527
117,810	416,325	284,230	231,919	2,420,269
-	408,765	283,180	235,266	2,419,838
-	406,455	281,972	232,903	2,361,740
-	398,790	280,607	235,791	2,354,854
-	401,625	279,085	232,536	2,353,764
-	-	284,965	234,531	1,998,479
-	-	285,385	235,581	784,626
-	-	280,450	231,249	777,354
-	-	285,521	232,168	784,715
-	-	279,090	232,956	512,046
-	-	277,909	232,693	510,602
-	-	281,190	232,273	513,463
-	-	-	231,696	231,696
-	-	-	230,961	230,961
-	-	-	235,318	235,318
-	-	-	234,110	234,110
-	-	-	232,635	232,635
<u>\$ 403,586</u>	<u>\$ 2,871,120</u>	<u>\$ 3,949,156</u>	<u>\$ 4,433,752</u>	<u>\$ 23,842,377</u>

**CITY OF BUFFALO, MINNESOTA**  
**PROPERTY TAX VALUATIONS, LEVIES, AND COLLECTIONS**  
**DECEMBER 31, 2015**  
**(UNAUDITED)**

Fiscal Year	Rates*	Valuations*	Total Certified Tax Levy	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
1979	10.79	\$ 11,576,236	\$ 124,965	\$ 127,813	102.28 %
1980	12.37	13,819,727	170,964	171,623	100.39
1981	13.75	16,142,519	222,028	216,132	97.34
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

\* 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**



## 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, 2015, 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 June 8, 2016.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the state auditor pursuant to Minnesota Statutes §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, tax increment financing, and City and county miscellaneous provisions.

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 *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the state auditor pursuant to Minnesota Statutes §6.65. 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**

Buffalo, Minnesota  
June 8, 2016

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