

**CITY OF BUFFALO, MINNESOTA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2019**





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## **INTRODUCTORY SECTION**





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

Elected Officials

Mayor	Teri Lachermeier	December 31, 2020
Council Member	Eric Anderson	December 31, 2022
Council Member	Scott Enter	December 31, 2022
Council Member	Steve Downer	December 31, 2020
Council Member	Linda Kittock	December 31, 2020

Term Expires

Appointed Officials

Administrator and Clerk-Treasurer	Merton Auger
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## **FINANCIAL SECTION**





## INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

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

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

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

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

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

### ***Opinions***

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

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

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

### ***Other Matters***

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

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

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

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

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

***Other Matters (Continued)***

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, computation of legal debt margin, tax levies to retire bonded indebtedness, and property valuations, levies and collections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

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



**CliftonLarsonAllen LLP**

Buffalo, Minnesota  
May 13, 2020

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## **REQUIRED SUPPLEMENTARY INFORMATION**



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

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

**FINANCIAL HIGHLIGHTS**

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

**Government-Wide Financial Statements**

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

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

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

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

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

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

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

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

**Fund Financial Statements**

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

***Governmental Funds***

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

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

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

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

**Fund Financial Statements (Continued)**

***Governmental Funds (Continued)***

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

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

***Proprietary Funds***

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

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

**Notes to the Financial Statements**

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

**Other Information**

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

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

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

**CITY OF BUFFALO'S NET POSITION**

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

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

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

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

**Governmental Activities**

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

**Business-Type Activities**

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

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

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>REVENUES</b>						
Program Revenues:						
Fees, Charges, Fines, and Other	\$ 4,529,175	\$ 4,079,854	\$ 29,057,334	\$ 28,444,708	\$ 33,586,509	\$ 32,524,562
Operating Grants and Contributions	1,043,447	654,612	164,240	173,751	1,207,687	828,363
Capital Grants and Contributions	370,556	74,189	1,901,846	541,562	2,272,402	615,751
General Revenues:						
Property Taxes	7,505,911	7,034,938	789,657	1,147,728	8,295,568	8,182,666
Tax Increments	97,572	96,045	-	-	97,572	96,045
Other Taxes	395	4,633	-	-	395	4,633
Grants and Contributions, Not Restricted	879,883	918,242	-	-	879,883	918,242
Unrestricted Investment Earnings	191,538	95,191	48,885	32,732	240,423	127,923
Gain on Disposal of Capital Assets	-	15,623	3,943	9,457	3,943	25,080
Miscellaneous	231,792	13,508	525,278	2,208	757,070	15,716
Total Revenues	<u>14,850,269</u>	<u>12,986,835</u>	<u>32,491,183</u>	<u>30,352,146</u>	<u>47,341,452</u>	<u>43,338,981</u>
<b>EXPENSES</b>						
General Government	2,062,016	1,534,471	-	-	2,062,016	1,534,471
Public Safety	3,799,258	3,681,813	-	-	3,799,258	3,681,813
Highways and Streets	4,292,886	4,133,639	-	-	4,292,886	4,133,639
Culture and Recreation	3,097,006	2,993,193	-	-	3,097,006	2,993,193
Sanitation	930,813	912,767	-	-	930,813	912,767
Community Development	173,874	291,164	-	-	173,874	291,164
Interest on Long-Term Debt	1,061,980	701,076	-	-	1,061,980	701,076
Electric	-	-	13,340,725	13,379,943	13,340,725	13,379,943
Water	-	-	2,704,783	2,858,491	2,704,783	2,858,491
Sewer	-	-	4,266,795	4,381,615	4,266,795	4,381,615
Liquor Store	-	-	4,992,017	4,830,726	4,992,017	4,830,726
Golf Course	-	-	1,980,357	970,695	1,980,357	970,695
Total Expenses	<u>15,417,833</u>	<u>14,248,123</u>	<u>27,284,677</u>	<u>26,421,470</u>	<u>42,702,510</u>	<u>40,669,593</u>
Change in Net Position Before Transfers	(567,564)	(1,261,288)	5,206,506	3,930,676	4,638,942	2,669,388
Transfers	<u>1,475,000</u>	<u>1,395,000</u>	<u>(1,475,000)</u>	<u>(1,395,000)</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	<b>907,436</b>	<b>133,712</b>	<b>3,731,506</b>	<b>2,535,676</b>	<b>4,638,942</b>	<b>2,669,388</b>
Net Position - Beginning of Year	33,166,445	33,293,157	15,902,587	13,541,345	49,069,032	46,834,502
Correction of Error	-	-	309,370	-	309,370	-
Prior Period Adjustment	-	(260,424)	-	(174,434)	-	(434,858)
Net Position - Beginning of Year (Restated)	<u>33,166,445</u>	<u>33,032,733</u>	<u>16,211,957</u>	<u>13,366,911</u>	<u>49,378,402</u>	<u>46,399,644</u>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 34,073,881</b>	<b>\$ 33,166,445</b>	<b>\$ 19,943,463</b>	<b>\$ 15,902,587</b>	<b>\$ 54,017,344</b>	<b>\$ 49,069,032</b>

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

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

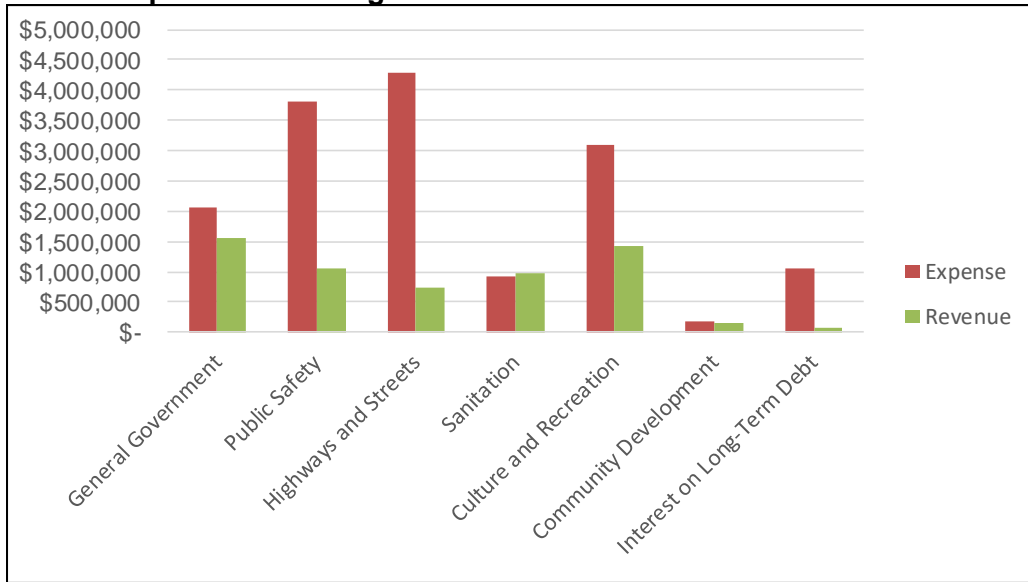
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

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

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

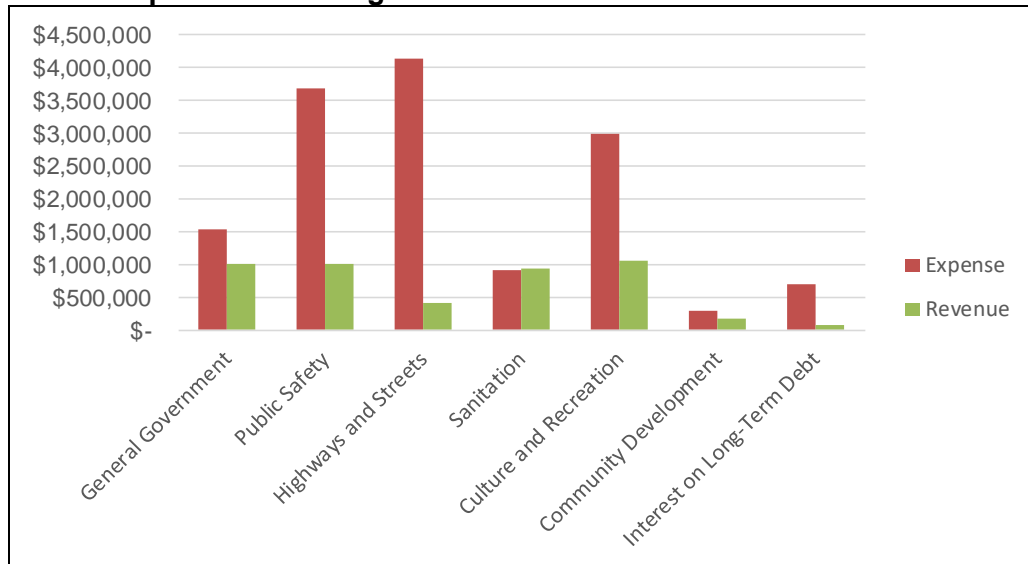
**2019**

**Expenses and Program Revenues-Governmental Activities**



**2018**

**Expenses and Program Revenues-Governmental Activities**

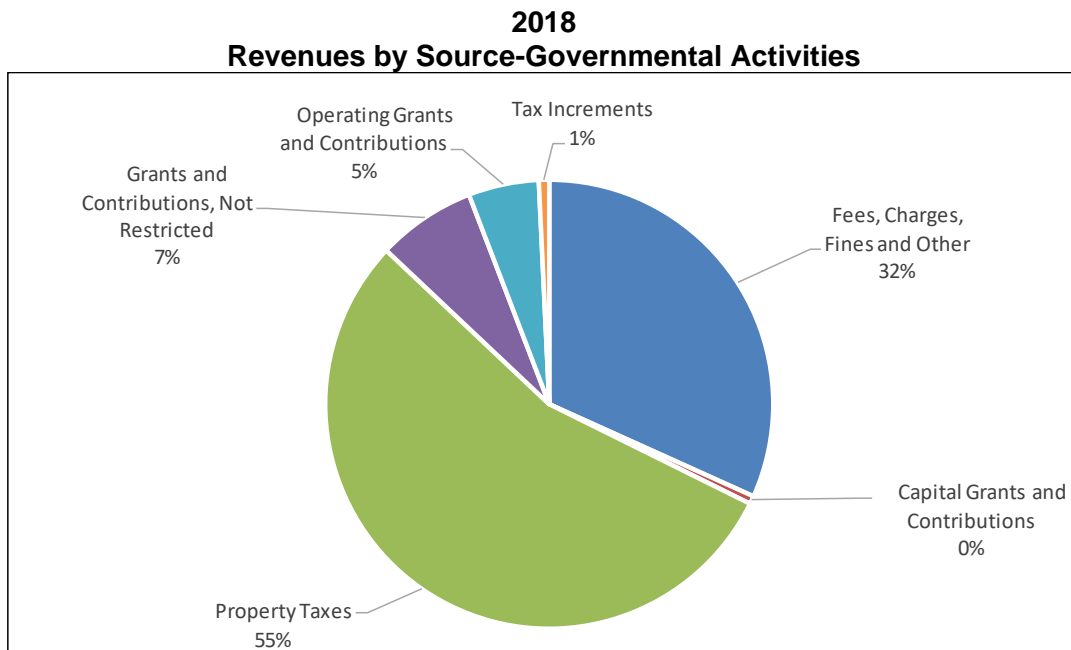
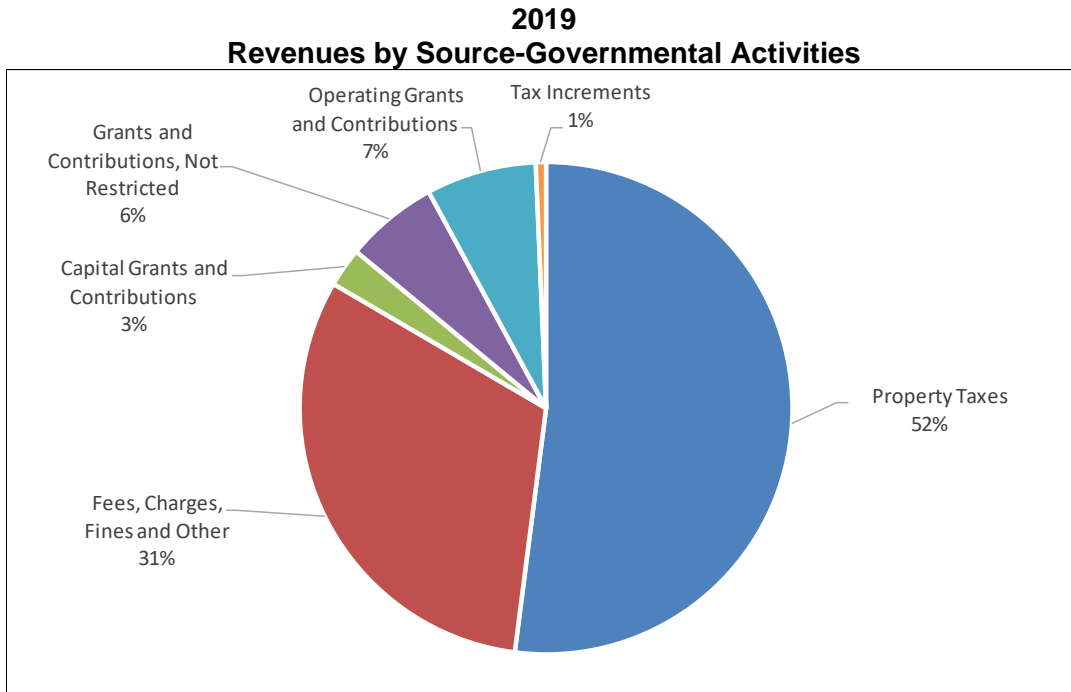


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**CITY OF BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

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

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



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

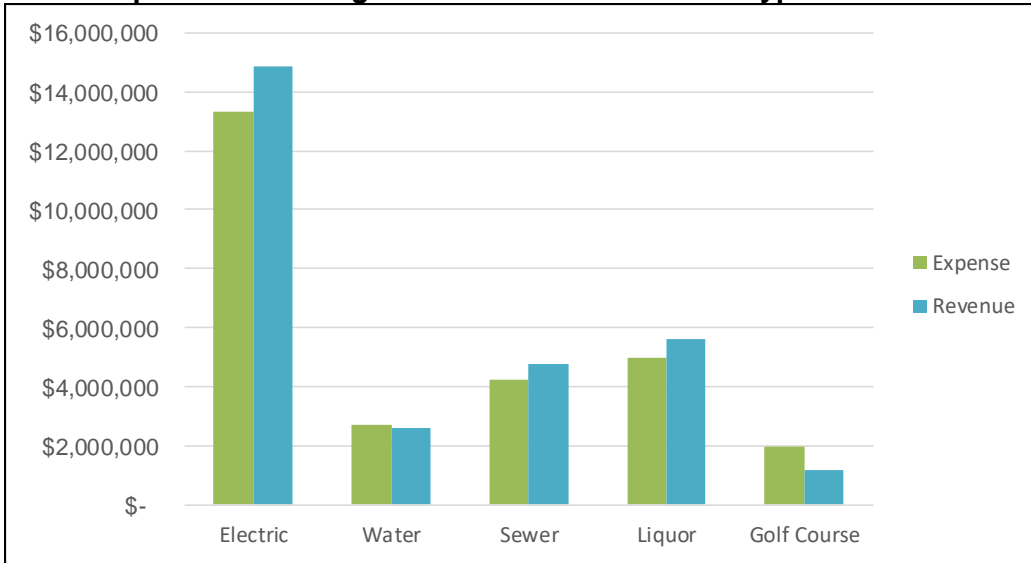
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

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

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

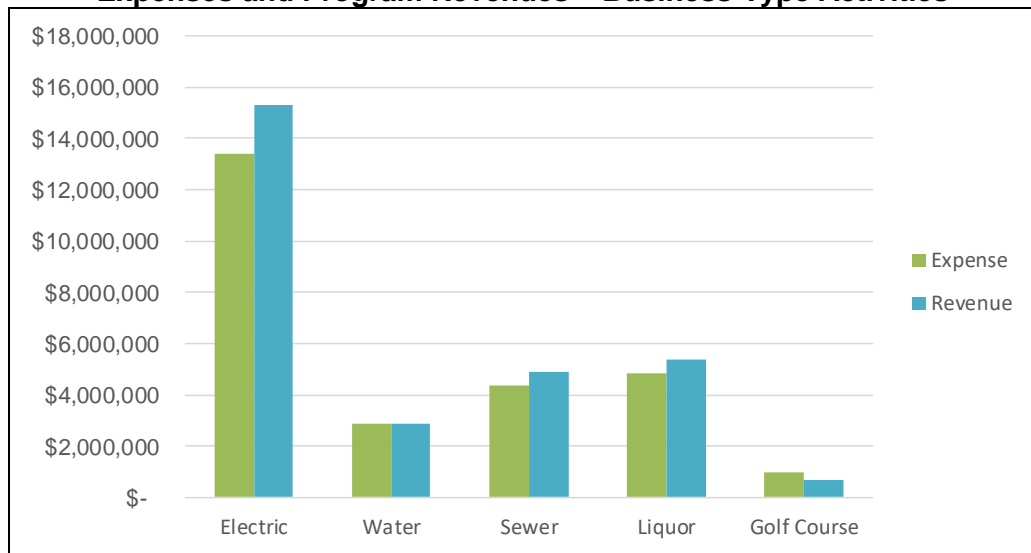
**2019**

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



**2018**

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



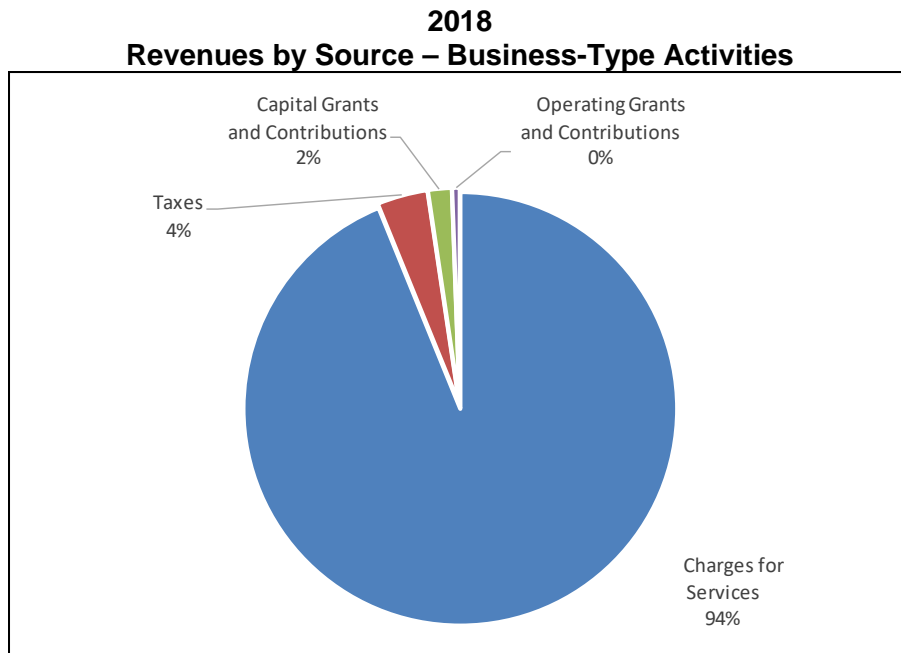
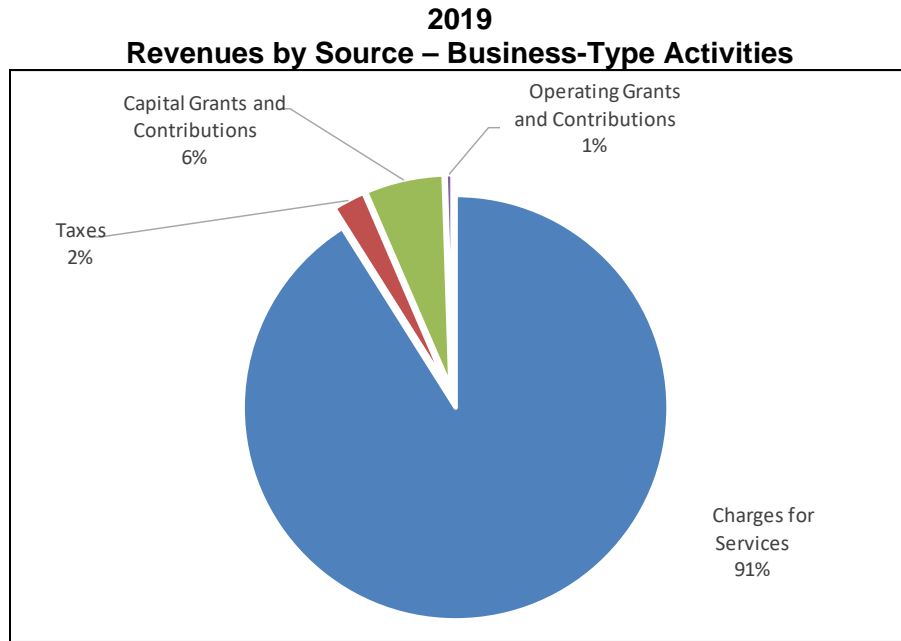
Note: Other income amounts for developer installed utilities and contributed capital from other funds are not included in program revenues in the above graphs.

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

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

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



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

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

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

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

**Governmental Funds**

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

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

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

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

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

**Debt Service**

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

**Capital Project**

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

**HRA Debt Service**

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

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

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

**Proprietary Funds**

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

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

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

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

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

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

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

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

**Capital Assets (Continued)**

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

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

**Long-Term Debt**

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

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

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

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

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

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

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

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

**REQUESTS FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**



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

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

See accompanying Notes to Basic Financial Statements.

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

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

**General Revenues:**

**Taxes:**

Property Taxes, Levied for General Purpose

Tax Increments

Other Taxes

Grants and Contributions not Restricted to Specific Programs

Unrestricted Investment Earnings

Insurance Recovery

Gain on Disposal of Capital Assets

Miscellaneous

**Transfers**

Total General Revenues and Transfers

**CHANGE IN NET POSITION**

Net Position - Beginning of Year

Correction of an Error

Change in Accounting Principle

Net Position - Beginning of Year, as Restated

**NET POSITION - END OF YEAR**

See accompanying Notes to Basic Financial Statements.



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

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

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

See accompanying Notes to Basic Financial Statements.

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

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

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

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

See accompanying Notes to Basic Financial Statements.

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

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

See accompanying Notes to Basic Financial Statements.

2019		2018	
Other Governmental Funds	Total Governmental Funds	Total Governmental Funds	Total Governmental Funds
\$ 322,999	\$ 7,486,269	\$ 7,040,998	
97,572	97,572	96,045	
-	395	4,633	
-	579,621	432,679	
454,432	1,800,118	1,521,358	
-	28,230	54,388	
1,489,222	6,311,416	3,425,524	
-	35,529	33,563	
(7,755)	188,263	96,125	
35,717	381,614	353,692	
51,998	93,114	124,316	
1,300	24,575	20,218	
<u>2,445,485</u>	<u>17,026,716</u>	<u>13,203,539</u>	
-	1,667,713	1,675,908	
469,170	3,554,221	3,052,548	
-	1,448,039	1,375,594	
-	930,813	912,767	
1,249,173	2,271,920	2,169,945	
173,874	173,874	190,395	
-	260,250	6,831	
702,530	823,770	56,092	
-	3,778,127	1,073,639	
506,501	650,512	258,081	
-	-	80,472	
174,309	378,783	329,402	
19,773	27,608	12,187	
-	5,528,847	2,332,678	
-	962,214	747,499	
<u>3,295,330</u>	<u>22,456,691</u>	<u>14,274,038</u>	
(849,845)	(5,429,975)	(1,070,499)	
465,000	3,220,778	3,889,195	
(276,032)	(1,745,778)	(2,494,195)	
-	9,559,700	-	
109,170	531,490	15,623	
685,567	1,108,750	64,540	
-	(3,092,990)	-	
-	951,507	-	
<u>983,705</u>	<u>10,533,457</u>	<u>1,475,163</u>	
133,860	5,103,482	404,664	
<u>(1,216,818)</u>	<u>9,347,708</u>	<u>8,943,044</u>	
<u>\$ (1,082,958)</u>	<u>\$ 14,451,190</u>	<u>\$ 9,347,708</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, 2019**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)**

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

See accompanying Notes to the Basic Financial Statements.

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

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

See accompanying Notes to the Basic Financial Statements.

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

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

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

See accompanying Notes to Basic Financial Statements.

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

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

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

See accompanying Notes to Basic Financial Statements.

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

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

	2019	
	Electric	Water and Sewer
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers and Service Users	\$ 14,966,039	\$ 7,003,063
Cash Paid to Suppliers	(10,332,291)	(1,669,199)
Cash Paid to Employees	(1,551,226)	(1,071,475)
Net Cash Provided (Used) by Operating Activities	3,082,522	4,262,389
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Interfund Borrowing/Transfers	(1,000,000)	-
Interfund Note Receivable	-	-
Advance To/From Other Funds	122,184	(1,327,146)
Property Tax Receipts	(540)	499,996
Water and Sewer Hook-up Fee Receipts	-	-
Miscellaneous Receipts	88,077	24,096
Intergovernmental Receipts	2,693	1,741
Net Cash Provided (Used) by Noncapital Financing Activities	(787,586)	(801,313)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Bonds	-	9,405,300
Proceeds from Bond Premium	-	838,284
Access Fees	24,000	1,884,837
Insurance Proceeds	-	451,609
Acquisition and Construction of Capital Assets	(1,383,132)	(2,130,339)
Interest Paid on Bonds	(232,816)	(4,655,191)
Interest Paid on Capital Lease Obligations	(15,881)	(4,593)
Proceeds from Capital Lease	-	-
Principal Payments on Capital Lease Obligation	(243,173)	(110,214)
Principal Payments on Bonds	(760,000)	(9,623,716)
Net Cash Used by Capital and Related Financing Activities	(2,611,002)	(3,944,023)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income (Loss)	33,241	11,487
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(282,825)	(471,460)
Cash and Cash Equivalents - Beginning of Year	3,534,896	1,594,915
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 3,252,071	\$ 1,123,455
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION</b>		
Cash	\$ 2,329,571	\$ 1,123,455
Cash and Investments with Fiscal Agent	922,500	-
Total Cash and Cash Equivalents	\$ 3,252,071	\$ 1,123,455
<b>NONCASH TRANSACTIONS</b>		
Capital Lease Proceeds	\$ -	\$ -
Capital Contributed to Governmental Activities	-	-
Interest Accretion on Capital Appreciation Bonds	-	152,816
Amortization of Premiums and Refunding Loss	(14,290)	(179,683)
Total Noncash Investing, Capital, and Financing Activities	\$ (14,290)	\$ (26,867)

See accompanying Notes to Basic Financial Statements.



2019			2018
Liquor	Golf Course	Total	Total
\$ 5,633,229	\$ 1,183,496	\$ 28,785,827	\$ 27,917,914
(4,521,077)	(707,356)	(17,229,923)	(16,676,719)
(568,695)	(799,694)	(3,991,090)	(3,392,296)
<u>543,457</u>	<u>(323,554)</u>	<u>7,564,814</u>	<u>7,848,899</u>
(475,000)	-	(1,475,000)	(1,190,999)
-	-	-	50,000
-	1,027,935	(177,027)	(247,794)
56,148	231,466	787,070	1,145,860
-	-	-	72
17,659	1,310	131,142	134,638
922	1,035	6,391	17,419
<u>(400,271)</u>	<u>1,261,746</u>	<u>(727,424)</u>	<u>(90,804)</u>
-	-	9,405,300	4,065,000
-	-	838,284	27,924
-	-	1,908,837	579,907
-	-	451,609	-
-	(636,402)	(4,149,873)	(2,616,642)
-	(74,328)	(4,962,335)	(1,968,728)
(2,164)	(2,481)	(25,119)	(30,378)
-	48,845	48,845	228,447
(64,087)	(98,402)	(515,876)	(608,768)
-	(145,000)	(10,528,716)	(2,716,786)
<u>(66,251)</u>	<u>(907,768)</u>	<u>(7,529,044)</u>	<u>(3,040,024)</u>
822	(30,424)	15,126	6,669
<u>77,757</u>	-	<u>(676,528)</u>	<u>4,724,740</u>
124,450	-	5,254,261	529,521
<u>\$ 202,207</u>	<u>\$ -</u>	<u>\$ 4,577,733</u>	<u>\$ 5,254,261</u>
\$ 202,207	\$ -	\$ 3,655,233	\$ 4,331,761
-	-	922,500	922,500
<u>\$ 202,207</u>	<u>\$ -</u>	<u>\$ 4,577,733</u>	<u>\$ 5,254,261</u>
\$ -	\$ -	\$ -	\$ 45,769
-	-	-	11,567
-	-	152,816	325,721
-	5,261	(188,712)	(51,983)
<u>\$ -</u>	<u>\$ 5,261</u>	<u>\$ (35,896)</u>	<u>\$ 331,074</u>

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

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

See accompanying Notes to Basic Financial Statements.

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

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## **NOTES TO BASIC FINANCIAL STATEMENTS**



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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Financial Reporting Entity**

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

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

**B. Basic Financial Statements**

**1. Government-Wide Statements**

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

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

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

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

B. Basic Financial Statements (Continued)

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

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

**2. Fund Financial Statements**

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

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

The City reports the following major governmental funds:

General Fund

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

Debt Service Fund

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

Capital Project Fund

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



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

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

B. Basic Financial Statements (Continued)

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

HRA Debt Service Fund

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

The City reports the following major proprietary funds:

Electric Fund

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

Water and Sewer Fund

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

Liquor Fund

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

Golf Course Fund

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

C. Measurement Focus and Basis of Accounting

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

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

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

C. Measurement Focus and Basis of Accounting (Continued)

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

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

All proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's electric, water and sewer, liquor stores and golf course funds are charges to customers for sales and services. Operating expenses for these funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgets

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

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

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

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

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

D. Budgets (Continued)

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

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

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

**1. Cash and Investments**

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

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

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

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

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

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

**2. Property Tax Revenue Recognition**

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

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

**3. Special Assessment Revenue Recognition**

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

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

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

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

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

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

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

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

**4. Utility Billing**

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

**5. Inventories**

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

**6. Interfund Receivables/Payables**

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

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

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

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

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

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

**8. Property Held for Resale**

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

**9. Capital Assets**

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

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

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

**10. Compensated Absences**

Vacation

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

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

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

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

**10. Compensated Absences (Continued)**

Sick Leave

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

Severance

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

**11. Long-Term Obligations**

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

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

**12. Pension Asset/Liability**

For purposes of measuring the net pension asset, the net pension liability, deferred outflow/inflow of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and Buffalo Firefighters Relief Association plans (FRA), and additions to/deductions from PERA's and the FRA's fiduciary net position have been determined on the same basis as they are reported by PERA and the FRA. For this purpose, plan contributions and benefit payments (including refunds of contributions) are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

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

**13. OPEB**

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

**14. Deferred Outflow of Resources**

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

**15. Deferred Inflow of Resources**

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

**16. Interfund Transactions**

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

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

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



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

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

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

**17. Net Position**

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

**18. Fund Balance**

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

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

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

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

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

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

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

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

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

**18. Fund Balance (Continued)**

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

**NOTE 2 DEPOSITS AND INVESTMENTS**

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

A. Deposits and Investments

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

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

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

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

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

A. Deposits and Investments (Continued)

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

Investments

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

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

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

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

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

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

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

A. Deposits and Investments (Continued)

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

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

The deposits and investments are presented in these financial statements:

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

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

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

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

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

A. Deposits and Investments (Continued)

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

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

Assets measured at fair value on a recurring basis:

<u>Investment Type</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Negotiable Certificates of Deposit	\$ 2,204,655	\$ -	\$ 2,204,655	\$ -

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

**NOTE 3 LEASE RECEIVABLE**

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

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

**NOTE 4 CAPITAL ASSETS**

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

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

Depreciation expense was charged to governmental functions as follows:

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

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

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

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

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

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

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

**NOTE 5 CITY INDEBTEDNESS**

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

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



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

**NOTE 5 CITY INDEBTEDNESS (CONTINUED)**

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

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

**NOTE 5 CITY INDEBTEDNESS (CONTINUED)**

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

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

Assets acquired through capital leases are as follows:

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

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

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

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

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

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

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

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

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

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

**NOTE 5 CITY INDEBTEDNESS (CONTINUED)**

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

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

**NOTE 6 PENSION PLANS**

A. Plan Description

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

**1. General Employees Retirement Plan**

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

**2. Public Employees Police and Fire Plan**

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

B. Benefits Provided

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

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

**NOTE 6 PENSION PLANS (CONTINUED)**

B. Benefits Provided (Continued)

**1. General Employees Plan Benefits**

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90% and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for reduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**2. Police and Fire Plan Benefits**

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1.0%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

C. Contributions

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

**1. General Employees Plan Contributions**

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

**2. Police and Fire Plan Contributions**

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

D. Pension Costs

**1. General Employees Fund Pension Costs**

At December 31, 2019, the City reported a liability of \$3,582,647 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund in 2019. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$111,328. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was 0.0648% which was an increase of 0.0008% from its proportionate share measured as of June 30, 2018.

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

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

**NOTE 6 PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

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

For the year ended December 31, 2019, the City recognized pension expense of \$440,959 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$8,337 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

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

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

\$195,726 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflow and inflow of resources related to pensions will be recognized in pension expense as follows:

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

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

D. Pension Costs (Continued)

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

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

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

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

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



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

**NOTE 6 PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

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

\$104,100 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflow and inflow of resources related to pensions will be recognized in pension expense as follows:

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

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

E. Actuarial Assumptions

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

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

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

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

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

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

Change in Actuarial Assumptions:

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

Change in Plan Provisions:

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

Police and Fire Fund

Change in Actuarial Assumptions:

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

Change in Plan Provisions:

- There have been no changes since the prior valuation.

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

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

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

G. Pension Liability Sensitivity

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

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

H. Pension Plan Fiduciary Net Position

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

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

A. Plan Description

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

B. Benefits Provided

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

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

**B. Benefits Provided (Continued)**

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

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

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

**C. Contributions**

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

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

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

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

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

**D. Pension Costs**

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

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

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

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

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

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

E. Actuarial Assumptions

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

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

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

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of December 31, 2018 are summarized in the following table:

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

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

F. Discount Rate

The discount rate used to measure the total pension liability was 5.25%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

G. Pension Asset Sensitivity

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

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

H. Plan's Fiduciary Net Position

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

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

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

H. Plan's Fiduciary Net Position (Continued)

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

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



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

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

A. Plan Description

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

B. Funding Policy

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

C. Actuarial Methods and Assumptions

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

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

Inflation	2.50%
Salary Increases	3.00%
Medical Trend Rates	6.25% Decreasing to 5.00% Over 5 Years

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

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

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

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

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

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

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

D. Changes in the OPEB Liability

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

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

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

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

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

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

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

**NOTE 9 STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY**

A. Deficit Fund Balances/Net Position

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

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

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

B. Expenditures in Excess of Budget

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

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

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

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

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

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

**NOTE 11 INTERFUND ADVANCES AND TRANSFERS**

A. Advances To/From Other Funds

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

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

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

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

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

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

B. Transfers

Transfers between funds during 2019 are as follows:

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

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

**NOTE 12 FUND BALANCE CLASSIFICATIONS**

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

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

**NOTE 13 RISK MANAGEMENT**

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

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

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

**NOTE 13 RISK MANAGEMENT (CONTINUED)**

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

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

**NOTE 14 TAX ABATEMENTS**

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

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

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

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

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

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

**NOTE 14 TAX ABATEMENTS (CONTINUED)**

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

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

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

**NOTE 15 COMMITMENTS AND CONTINGENCIES**

**A. Federal and State Funds**

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

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

**B. Electric Power Purchase Agreement**

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



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

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

C. Construction Commitments

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

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

\* Includes Contracts Payable Amount

**NOTE 16 CONDUIT DEBT OBLIGATIONS**

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

As of December 31, 2019, the City had the following revenue bonds outstanding:

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

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

**NOTE 17 SUBSEQUENT EVENTS**

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

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

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

**NOTE 18 PRIOR PERIOD RESTATEMENT**

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

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

## **REQUIRED SUPPLEMENTARY INFORMATION**



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

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

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

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

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

\*Additional information will be added as it becomes available

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

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

\*Additional information will be added as it becomes available

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

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

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

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



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

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

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

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

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

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

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

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

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

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

**NOTE 1 BASIS OF ACCOUNTING**

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

**NOTE 2 BUDGETARY INFORMATION**

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

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

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

**NOTE 3 BUDGETARY COMPARISON SCHEDULE RECONCILIATION**

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

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

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

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

**A. General Employees Fund  
2019**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2018**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.

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

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

A. General Employees Fund (Continued)

2018 (Continued)

Changes in Plan Provisions (Continued)

- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2016

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.5% for inflation.

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

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

A. General Employees Fund (Continued)

2016 (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

B. Police and Fire Fund

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2016 to MP-2017.

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.0% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.8% to 11.3% of pay, effective January 1, 2019 and 11.8% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.2% to 16.95% of pay, effective January 1, 2019 and 17.7% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.



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

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

B. Police and Fire Fund (Continued)

2018 (Continued)

Changes in Plan Provisions (Continued)

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

2017

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30% for vested and non-vested, deferred members. The CSA has been changed to 33% for vested members and 2.0% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.0% for all years to 1.0% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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

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

B. Police and Fire Fund (Continued)

2016

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

## **SUPPLEMENTARY INFORMATION**



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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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**OTHER SUPPLEMENTARY INFORMATION  
(UNAUDITED)**





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

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

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

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

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

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

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

\* Amounts from Wright County's Auditors office.

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

## **OTHER REPORT SECTION**





## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Buffalo (the City), Minnesota, as of December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated May 13, 2020.

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

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Cities* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Buffalo, Minnesota  
May 13, 2020

